Alpha Real Trust

Annual report

For the year ended 31 March 2018

2018

Alpha Real Trust Limited targets investment, development, financing and other opportunities in real estate, real estate operating companies and securities, real estate services, infrastructure, infrastructure services, other asset-backed businesses and related operations and services businesses that offer attractive risk-adjusted total returns.

Alpha Real Trust

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- NAV per ordinary and A share 172.9p: 31 March 2018 (158.9p: 31 March 2017)
- Basic earnings for the year ended 31 March 2018 of 18.5p per ordinary share and of 23.3p per A share (18.6p per ordinary and A share for the year ended 31 March 2017)
- Adjusted earnings for the year ended 31 March 2018 of 3.5p per ordinary and A share (7.4p per ordinary and A share for the year ended 31 March 2017) *
- Declaration of a quarterly dividend of 0.6p per ordinary and A share, expected to be paid on 20 July 2018

* The basis of the adjusted earnings per share is provided in note 9

Highlights

- **Balanced portfolio:** continued capital allocation to a mix of investments which balance income returns while creating potential for capital value growth, including a growing portfolio of mezzanine and property secured loans
- **Mezzanine loan investment:** twelve loans were completed during the year with £12.8 million invested at year end; post year end, further loans totalling £2.4 million were funded
- **Data centre Frankfurt:** following the securing of planning consent and power upgrade commitments, preparatory site remediation works have commenced along with the construction of an electricity receptor building, and funding for power delivery has commenced
- **Private rented sector residential:** planning consent secured for the PRS developments; detailed consent for 162 units in central Birmingham and detailed consent for 307 units with detailed planning consent sought for a further 357 units in central Leeds
- **H2O shopping centre Madrid:** completion of joint venture and divestment of 70% of the shareholding in the shopping centre
- **H2O shopping centre Madrid:** record visitor numbers recorded in 2017, increasing 3.9% over 2016, with like for like tenant sales increasing 6.4% over the year. Positive trend continuing in 2018. A masterplan for the shopping centre is being prepared with a view to potentially creating additional leasable space and upgrading the centre's common areas
- **AURE increased shareholding:** increased exposure to the diversified UK industrial sector through the acquisition of 7.3% of AURE's issued shares thus increasing ART's equity holding in AURE to 27.8%

Trust summary and objective

Strategy

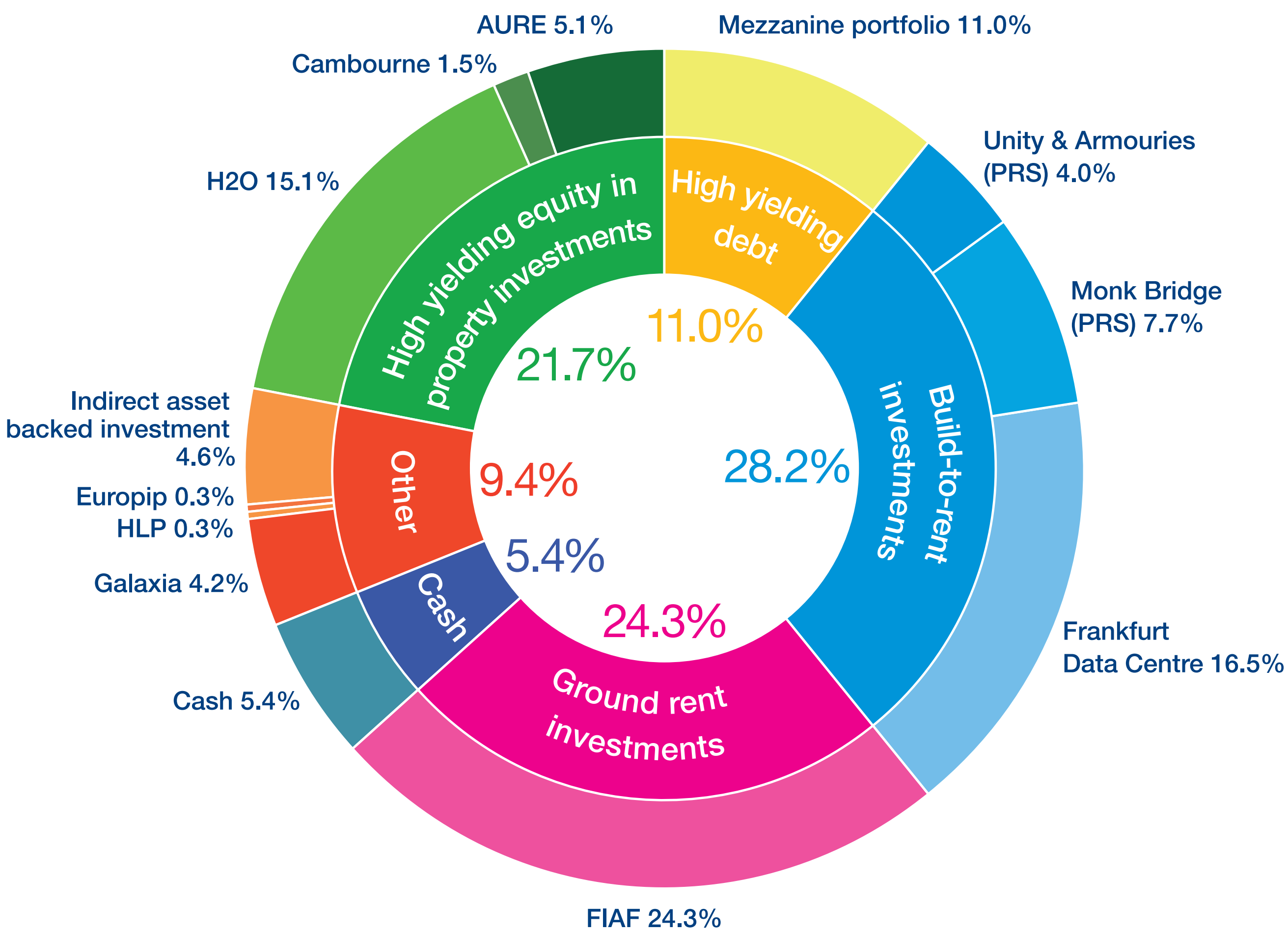
Alpha Real Trust Limited ("the Company" or "ART") targets investment, development, financing and other opportunities in real estate, real estate operating companies and securities, real estate services, infrastructure, infrastructure services, other asset-backed businesses and related operations and services businesses that offer attractive risk-adjusted total returns.

ART currently focusses on high-yielding property, infrastructure and asset backed debt and equity investments in Western Europe that are capable of delivering strong risk adjusted cash flows, including build-to-rent investments.

The current portfolio mix, excluding sundry assets/liabilities, is as follows:

	31 March 2018	31 March 2017
High yielding equity in property investments:	21.7%	47.1%
Ground rent investments:	24.3%	18.8%
Build-to-rent investments:	28.2%	9.7%
High yielding debt:	11.0%	14.2%
Other investments:	9.4%	8.2%
Cash:	5.4%	2.0%

Company's asset allocation by sector and investment (by percentage of Group's NAV, based on the balance sheet carrying values, excluding the Company's sundry assets/liabilities) at 31 March 2018 (see page 8 for further details).



Trust summary and objective (continued)



Financial highlights

	Year ended 31 March 2018	6 months ended 30 September 2017	Year ended 31 March 2017
Net asset value (£'000)	118,451	114,626	110,173
Net asset value per ordinary and A share	172.9p	167.3p	158.9p
Earnings per ordinary share (basic and diluted) (adjusted)*	3.5p	3.0p	7.4p
Earnings per A share (basic and diluted) (adjusted)*	3.5p	3.0p	7.4p
Earnings per ordinary share (basic and diluted)	18.5p	13.3p	18.6p
Earnings per A share (basic and diluted)**	23.3p	17.7p	18.6p
Dividend per share (paid during the period)***	1.8p	1.2p	2.4p
Special dividend per A share (paid during the period)	4.3p	4.3p	-

* The adjusted earnings per share includes adjustments for the effect of the fair value revaluation of investment property and indirect property investments, capital element on Investment Manager's fees, the fair value movements on financial assets and deferred tax provisions: full analysis is provided in note 9 to the accounts.

** The difference in basic and diluted EPS between ordinary and A shares is due to the Romulus investment, which is exclusively for the benefit of ART A shareholders (note 8).

*** Dividends for the quarter ended 31 December 2017 were paid on 6 April 2018.

Dividends

The current intention of the Directors is to pay a dividend quarterly to all shareholders. Any realised value from the Romulus investment is exclusively for the benefit of ART A shareholders, however this is unlikely to be material.

Listing

The Company's shares are traded on the Specialist Fund Segment ("SFS") of the London Stock Exchange ("LSE"), ticker ARTL:LSE.

Management

The Company's Investment Manager is Alpha Real Capital LLP ("ARC"), whose team of investment and asset management professionals focus on the potential to enhance earnings in addition to adding value to the underlying assets, and also focus on the risk profile of each investment within the capital structure to best deliver high risk adjusted returns.

Control of the Company rests with the non-executive Guernsey based Board of Directors.

172.9p

NAV per share 172.9p

3.5p

Adjusted earnings per share of 3.5p

2.4p

Dividends per share paid and declared

Chairman's statement

David Jeffreys
Chairman

I am pleased to present the Company's annual report and accounts for the year ended 31 March 2018.

It has been an active year for ART with new investment, capital recycling and successful active asset management continuing to help deliver our strategy of maintaining a diversified portfolio of assets across various sectors that are capable of delivering attractive risk adjusted returns. It has also been a year in which ART achieved the significant milestone of securing planning consent for each of its build-to-rent investments.

Our target investment criteria currently focuses on high-yielding property, infrastructure and asset backed debt and equity investments in Western Europe, including build-to-rent investments.

New mezzanine investment

ART continues to actively augment and diversify its portfolio of secured real estate loans and mezzanine loan investments. These loans are typically secured on real estate investment and development assets with high risk-adjusted income returns. During the year, twelve loans were completed with £12.8 million invested at year end. Post year end, a further three loans totalling £2.4 million were funded, an existing loan was increased by £0.3 million and one mezzanine loan of £0.3 million was repaid.

During the year, one loan was repaid, generating an annualised return of circa 14.0%.

Each loan will typically have a two year term and a maximum 75% loan to value ratio and be targeted to generate double digit income returns. Repayment proceeds will be reinvested into new loan opportunities.

AURE increased equity shareholding and loan repayment

During the year, ART increased its shareholding in Active UK Real Estate Fund ("AURE"), a fund that principally invests in the diversified UK industrial property sector. ART acquired a further 7.3% of the total AURE shares, at a price representing a 10% discount to the reported AURE NAV at the time, bringing its total shareholding in AURE to 27.8%. AURE repaid its outstanding borrowings with Royal Bank of Scotland PLC and is now an ungeared investment.

During the year, ART's mezzanine loan to AURE of £3.5 million (including outstanding interest and exit fee) was repaid. This mezzanine investment returned an IRR of 12.2% per annum for ART.

Data centre investment

In October 2017 ART was granted detailed planning consent for a five-storey data centre extending to 40,338 square metres on site in Frankfurt. Further, the local utility provider has also contracted to upgrade the power supply to the site to deliver a 35 Mega Volt Ampere ('MVA') dual feed power supply on a phased basis to 2020, synchronised with local electricity substation and cable route upgrades.

ART had initially secured the site on a conditional contract, with acquisition and payment of the purchase price being contingent on the target planning consent and the electricity supply being obtained. As part securing such consents, ART undertook a detailed planning exercise, creating detailed designs for a data centre building and its mechanical and electrical systems.

Following the achievement of the above milestones and completion of the site acquisition, pre-identified ground remediation works and the creation of an electricity receptor building have commenced. The site acquisition and pre-development costs have been funded from the Company's cash reserves.

The Company's primary strategy is to secure a tenant pre-let and fund the balance of development costs with debt. Active marketing of the project to potential data centre occupiers is underway.

Chairman's statement (continued)

Private Rented Sector investment

The Company's investments in the residential Private Rented Sector ("PRS") in central Leeds and central Birmingham are opportunities that were secured early in the build-to-rent process that offer potential to create an initial capital uplift in value through enhanced planning and the opportunity to develop and let in order to achieve resilient equity income returns at an attractive yield on cost.

Planning consent for both sites has been secured. The Birmingham project has implemented non-material amendments to its planning consent for 162 residential units and ground floor commercial space. The Leeds project has detailed planning consent for 307 residential units (which the Company intends to develop for PRS) plus commercial development within the adjacent existing railway arches, and consent for a further 357 residential units has been submitted to the local authority for approval of detailed planning.

Both investments have been revalued by independent valuers as at 31 March 2018.

The Company estimates that up to £29.3 million could be invested to undertake the development of its PRS sites alongside debt financing and capital partners. The positive planning consent achieved at the Leeds project, where outline planning consent for additional residential units was received, has notably enhanced the valuation of the site.

The Company is exploring ways to optimise the returns from its PRS investments and is exploring joint development and forward sale opportunities with potential partners.

H2O, Madrid

During the year, ART completed the sale of a 70% equity interest in the H2O shopping centre in Madrid for a consideration of circa £37.3 million. ART retains a 30% stake in the joint venture, in order to participate in the future growth of the centre, which was originally purchased in March 2010. Under the Company's ownership, annual footfall at the shopping centre has increased from 5.7 million to 7.9 million visitors and continues to grow strongly. Before the sale, ART also completed the refinance of the borrowings secured on the shopping centre with a new €65.0 million loan maturing in 2024.

ART's 30% stake in the joint venture (with CBRE Global Investors) in the shopping centre continues to benefit from asset management initiatives implemented during ART's ownership. The centre attracted record visitor numbers in the 2017 calendar year and the strong performance has continued into 2018. Over the twelve month period to 31 March 2018, visitor numbers increased by 1.9% over the preceding twelve month period. Like-for-like sales performance from tenants increased strongly by 9.4% over the same period. One of H2O's principal anchors, Mercadona supermarket, undertook a complete refurbishment of its store during February 2018. This major investment follows an active ART policy of seeking store fit-out upgrades, and is a positive sign of the tenant's commitment to the shopping centre and provides H2O's customers with an enhanced shopping experience.

A specialist masterplan architect has been appointed to help create a design plan for the shopping centre that is capable of being implemented over the medium term with a view to identifying potential value enhancing upgrades of the physical space and, subject to planning consent, the creation of new retail stores.

Galaxia, India

As announced in January 2015, the International Chamber of Commerce (ICC) Arbitration declared an award in favour of the Company with respect to its Galaxia investment, a joint venture with the Logix Group ("Logix") regarding an 11.2 acre Special Economic Zone located in NOIDA, the National Capital Region, India. The total award amounted to £9.2 million based on exchange rates at the time. Additionally, a further 15% p.a. interest on all sums was awarded to the Company from 20 January 2015 until the actual date of payment by Logix of the award.

Following challenges of the award by Logix, both the Delhi High Court and latterly a division bench of the Delhi High Court upheld the award declared in favour of the Company and rejected Logix's appeal. Logix appealed the dismissal before the Supreme Court of India. The Supreme Court admitted the appeal and ordered Logix to deposit £2.2 million (INR 200 million) with the court and has listed the matter for final disposal in July 2018. In May 2018, the Supreme Court has permitted the Company to unconditionally withdraw INR 100 million (£1.1 million) and the remaining INR 100 million (£1.1 million) deposited by Logix against a bank guarantee.

ART has commenced execution of the award and the Delhi High Court has issued a warrant of attachment against the primary residential property owned by Shakti Nath and Meena Nath, promoters of Logix Group. The Court has also restrained Logix from alienating their immovable assets. ART continues to actively pursue Logix directors for the recovery of the award.

The sum awarded to ART has now accrued to £13.9 million at the current exchange rate. ART continues to hold the investment receivable at INR 450.0 million (£4.9 million) in the accounts due to uncertainty over timing and final value.

Chairman's statement (continued)

Capital recycling and reinvestment

ART continues to actively manage its portfolio to enhance the value of the underlying assets, recycle capital from investments where profit taking and portfolio optimisation opportunities are identified. This successful capital recycling allows for capital to be reinvested in new opportunities that meet the Company's return criteria.

Build-to-rent earnings outlook

The Company's aim is to maintain a balanced mix of investments that have an overall weighting towards income returns while creating potential for future income and capital value growth. With the ultimate strategy of creating income producing assets that generate a higher yield on cost than is available from purchasing existing built investments of the same quality, an increased capital commitment to the development of build-to-rent investments is likely. This allocation of capital to build-to-rent investments will mean that a larger proportion of the Company's returns will be generated from capital growth rather than earnings during the development phases of the projects, prior to such investments becoming incoming producing.

Active shareholder value management

The Company adopts an active approach in seeking to enhance shareholder returns and during the period undertook a tender offer at an offer price of 123.1p per Ordinary Share. A total of 826,311 Ordinary Shares were validly tendered under the tender offer, representing approximately 1.2% of the Company's voting shares in issue as at 25 September 2017 (excluding Ordinary Shares held in treasury).

Positioning for continued investment

The Company continues to maintain a pipeline of new investment opportunities under active review which compete for capital allocation. An increased capital investment is planned for high yielding mezzanine loans and high yielding equity, including build-to-rent, across a range of markets and asset types.

ART benefits from the depth of experience, strength and size of the Investment Manager's business with a team of over 100 investment, asset management and debt restructuring professionals based throughout the UK and Europe. ART's active management approach has helped deliver improvements in underlying asset values, in both directly and indirectly held investments across our investment markets.

A detailed summary of the Company's investments is contained within the investment review section.

Results and dividends

Dividends

Adjusted earnings for the year are £2.4 million (3.5 pence per ordinary share and A share, see note 9 of the financial statements). This compares with adjusted earnings per ordinary and A share of 7.4 pence for the same period in 2017.

In line with its aim to pay dividends quarterly, the Board announces a dividend of 0.6 pence per share which is expected to be paid on 20 July 2018 (ex dividend date 28 June 2018 and record date 29 June 2018).

The dividends paid and declared for the year to 31 March 2018 totalled 2.4 pence per ordinary share representing an annual dividend yield of 1.9% p.a. on the average share price over the year.

In addition, during the year, Romulus disposed of its property portfolio, which generated approximately £0.3 million for ART A shareholders: this amount was therefore paid to ART A shareholders as a special dividend on 7 July 2017.

The net asset value per ordinary and A share at 31 March 2018 is 172.9 pence per share (31 March 2017: 158.9 pence per share) (see note 10 of the financial statements).

Chairman's statement (continued)

Financing

ART's underlying investments are part funded through loan facilities with external debt providers, which are secured on underlying assets and are non-recourse to the Group's other asset investments.

As at 31 March 2018 the Group has no direct bank borrowings.

Bank borrowings related to the Group's joint ventures are discussed in notes 12 and 19.

Further details of individual asset financing can be found under the individual investment review sections later in this report.

Brexit

In June 2016, the "Brexit" Referendum was held, in which the United Kingdom voted to leave the European Union. No material adverse impacts have been noted within the Company's portfolio to date. However, given the unprecedented decision, the Board continues to monitor the situation for potential risks to the Company's investments. Equally, the Board remains alert to possible new investment opportunities that may arise.

Despite a pre and post-Brexit pause, transaction volumes across the Company's investment markets remain sound. In some markets and sectors, investors are failing to deploy capital citing the limited availability of good quality opportunities.

Foreign currency

The Board monitors foreign exchange exposures and considers hedging where appropriate and has noted the increased market volatility in exchange rates following the Brexit Referendum result. All foreign currency balances have been translated at the year-end rates of £1:€1.141 and £1:INR91.445.

Summary

ART's diversified portfolio provides a balance of investments that offer scope to deliver strong cashflows, capital value growth and attractive risk adjusted total returns.

The Company currently focusses on high-yielding property, infrastructure and asset backed debt and equity investments in Western Europe that are capable of delivering strong risk adjusted cash flows, including an increasing focus on build to own investments.

The Company will consider investments and assets that offer scope to generate long term income streams off a lower entry cost through development. This approach provides ART with the flexibility to take advantage of new investment opportunities where ART sees best value. During the year, the Company's build-to-rent projects have achieved the significant milestone of having secured planning consent. Capital investment in excess of £38 million has been identified in order to advance the private rented sector residential and data centre projects through development stages. These investments offer the opportunity to create a higher yield on cost than is available from purchasing existing built investments of the same quality. During the development period, a greater proportion of the Company's total return is likely to come from capital growth rather than earnings until its build-to-rent investments become income producing.

ART continues to actively augment and diversify its portfolio of mezzanine loan investments. During the year the Company has increased its mezzanine loan investment portfolio. New investment opportunities that are capable of delivering strong risk adjusted cash flows are being actively pursued. ART's active investment approach means that short term investment positions will be considered when accretive to overall returns.

The Company remains well positioned to continue to deliver attractive returns through investing, realising and reinvesting its capital in asset backed investment opportunities.

David Jeffreys
Chairman
14 June 2018

Investment review

Portfolio overview 31 March 2018

Investment	Carrying value	Income return p.a.	Investment location	Property type / underlying security	Investment notes	% of portfolio [1]	Note*
High yielding debt (11.0%)							
Secured finance							
Secured loans	£12.8m [2]	9.0% to 16.0% [3]	UK	Diversified loan portfolio focussed on real estate investments and developments	Secured debt and subordinated debt	11.0%	16
High yielding equity in property investments (21.7%)							
H2O shopping centre							
Indirect property	£17.6m (€20.1m)	6.3% [4]	Spain	High-yield, dominant Madrid shopping centre and separate development site	30% shareholding; 7 year term bank finance facility	15.1%	12
Active UK Real Estate Fund plc							
Equity	£6.0m	n/a	UK	High-yield commercial UK portfolio	27.8% of ordinary shares in fund	5.1%	15
Cambourne Business Park							
Indirect property	£1.7m	11.2% [4]	UK	High-yield business park located in Cambridge	Medium term moderately geared bank finance facility	1.5%	12
Ground rent investments (24.3%)							
Freehold Income Authorised Fund							
Ground rent fund	£28.4m	4.6% [5]	UK	Highly defensive income; freehold ground rents	No gearing; monthly liquidity	24.3%	15
Build-to-rent investments (28.2%)							
Unity and Armouries, Birmingham							
Direct property, PRS development	£4.7m	n/a	UK	Central Birmingham residential build-to-rent	Planning consent for 90,000 square feet / 162 units plus commercial	4.0%	13
Monk Bridge, Leeds							
Direct property, PRS development	£9.0m	n/a	UK	Central Leeds residential build-to-rent	Planning consent for 205,129 square feet / 307 units plus commercial Outline consent for further 193,071 square feet / 357 units plus commercial	7.7%	13
Frankfurt, Germany							
Direct property, data centre development	£19.3m (€22.0m)	n/a	Germany	Site with planning and committed power for data centre use	Freehold site with no debt	16.5%	13
Other investments (9.4%)							
Galaxia							
Investment receivable	£4.9m	n/a	India	Development site located in NOIDA, Delhi, NCR	Legal process underway to recover investment by enforcing arbitration award	4.2%	14
ELM Trading Limited							
Indirect asset backed investment	£5.3m	5%	UK	Indirect investment in diversified real estate and renewables portfolio	Short term investment in fund with low external gearing	4.6%	15
Europip plc							
Indirect equity	£0.4m (€0.5m)	n/a	N/A	Awaiting final shareholder distribution	47% of the total ordinary shares in fund	0.3%	15
Healthcare & Leisure Property Limited							
Indirect property	£0.4m	n/a	UK	Leisure property fund	No external gearing	0.3%	15
Cash and short term investments (5.4%)							
Cash	£6.3m	0.1%	UK	Current or 'on call' accounts		5.4%	

* See notes to the financial statements for more details.
1 Percentage share shown based on NAV excluding the company's sundry assets/liabilities
2 Including accrued coupon at the balance sheet date
3 Annual coupon
4 Yield on equity over 12 months to 31 March 2018
5 12 month income return; post tax

Investment review (continued)

Brad Bauman
Joint fund manager

Gordon Smith
Joint fund manager

High yielding equity in property investments

Overview

ART continues to remain focused on investments that offer the potential to deliver attractive risk-adjusted returns by way of value enhancement through active asset management, improvement of net rental income, selective deployment of capital expenditure and the ability to undertake strategic sales when the achievable price is accretive to returns.

There continues to be significant amounts of capital seeking investment opportunities globally that have the potential to deliver yield or high risk adjusted total returns. Cash deposit interest rates remain at close to zero while an increasingly stabilised debt market provides liquidity and an ability to borrow at relatively low interest rates. A combination of these factors continues to create high investor demand for real estate and asset backed sectors in general.

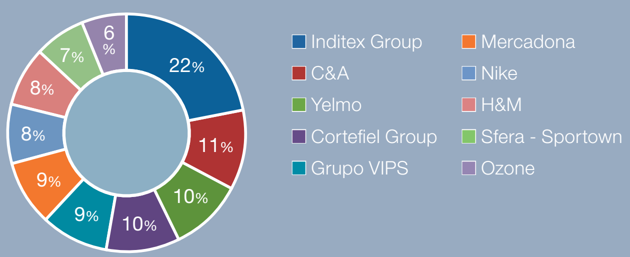
> ART continues to remain focused on investments that offer the potential to deliver attractive risk-adjusted returns by way of value enhancement through active asset management.

Cambourne Business Park

H2O
Madrid - Spain

Sector	Retail
Asset	Shopping centre
Tenants include	Nike, Zara, Mango, Cortefiel, H&M, C&A and Massimo Dutti
Area	51,825 square metres
Description	The property is located in the Rivas-Vaciamadrid district of Madrid. H2O has a primary catchment area of 166,000 people but the location, due to the concentration of complementary retail, has a total catchment of 2.2 million people. The weighted average lease length as at 31 March 2018 is 9.5 years to expiry and 2.4 years to next break.

Top ten tenants (31 March 2018)



Investment review (continued)

H2O Shopping Centre, Madrid

Investment	Investment type	Carrying value	Income return	Property type / underlying security	Investment notes
H2O	Indirect property	£17.6m (€20.1m)	6.3% *	High-yield, dominant Madrid shopping centre and separate development site	30% shareholding; 7 year term bank finance facility

* Yield on equity over 12 months to 31 March 2018

H2O shopping centre was opened in June 2007 and built to a high standard providing shopping, restaurants and leisure around a central theme of landscaped gardens and an artificial lake. H2O has a gross lettable area of approximately 51,825 square metres comprising 118 retail units. In addition to a multiplex cinema, supermarket (let to leading Spanish supermarket operator Mercadona) and restaurants, it has a large fashion retailer base, including some of the strongest international fashion brands, such as Nike, Zara, Mango, Cortefiel, H&M, C&A and Massimo Dutti.

Following the sale of a 70% equity interest in the H2O during 2017 for a consideration of approximately £37.3 million, ART retains a 30% stake in the joint venture. The continued equity interest allows ART to participate in the future growth of the centre. ARC, the investment manager of ART, continues to manage the shopping centre.

In August 2017, the Company completed the refinance of the borrowings secured on the shopping centre with a new €65.0 million seven year loan. The borrowings are secured on the underlying asset and are non-recourse to the Group's other asset investments.

> In August 2017, the Company completed the refinance of the borrowings secured on the shopping centre with a new €65.0 million seven year loan.

The asset management highlights are as follows:

- **Valuation:** +6.7% valuation increase over the year ending 31 March 2018.
- **Additional site:** the H2O investment includes a small vacant site located in the same planning zone as H2O that was acquired during 2017. The site has over 11,000 square metres of allocated building rights. A planning application has been made to transfer part of these building rights to the H2O plot, which if successful, could create potential for the future expansion of the shopping centre.
- **Centre occupancy:** 90.8% by area as at 31 March 2018 (93.8% by rental value with short term temporary rent discounts also remaining in place to create further potential upside). Weighted average lease length to next break of 2.4 years and 9.5 years to expiry (31 March 2018).
- **Footfall and sales:** over the 12 month period to 31 March 2018, visitor numbers increased 1.9% above the preceding 12 month period. Like-for-like sales performance from tenants increased strongly by 9.4% over the same period.
- **Tenant store upgrades:** Mercadona supermarket, one of H2O's principal anchor tenants, has undertaken a complete refurbishment of its store during February 2018. This major investment is a positive sign of the tenant's commitment to the shopping centre and provides H2O's customers with an enhanced shopping experience.
- A specialist masterplan architect has been appointed to help create a design plan for the shopping centre that is capable of being implemented over the medium term with a view to identifying potential value enhancing upgrades of the physical space and, subject to planning consent, the creation of new retail stores.

Active UK Real Estate Fund plc
AURE

Sector	The International Stock Exchange
Underlying assets	UK offices, industrial and retail property
Description	AURE is a listed UK property fund in The International Stock Exchange with gross property assets of £19.5 million (as at 31 March 2018). AURE has a regionally diversified portfolio of UK office, industrial and retail properties.

Investment review (continued)

Active UK Real Estate Fund plc ("AURE")

Investment	Investment type	Carrying value	Income return	Property type / underlying security	Investment notes
Active UK Real Estate Fund plc	Equity	£6.0m	n/a	High-yield commercial UK portfolio	27.8% of the total ordinary shares in fund

AURE is a fund that invests in a portfolio of high yielding UK commercial property and aims to deliver a high and stable income yield, together with the potential for capital appreciation. AURE's shares are listed on The International Stock Exchange (www.tisegroup.com).

During the year, ART increased its shareholding in AURE by acquiring a further 7.3% of AURE shares at a 10% discount to latest NAV. The investment increases ART's holding of the share capital and voting rights in AURE from 20.5% to 27.8%. Following certain strategic asset sales, AURE has repaid its outstanding debts and is now ungeared.

ART increased its shareholding in AURE by acquiring a further 7.3% of AURE shares at a 10% discount to latest NAV. The investment increases ART's holding of the share capital and voting rights in AURE from 20.5% to 27.8%.

The following highlights were included in AURE's quarterly update for the period ended 31 March 2018 (published May 2018):

- **Fund Performance & Benchmark Ranking:** successful delivery of the business plan is reflected in AURE being placed in the top 10% of performance against the one year IPD benchmark. AURE provided an annual return of 13.8% compared to the IPD benchmark of 10.1%.
- **Increased NAV:** the net asset value per share has increased by 13.2% over its twelve month reporting period, which equates to an increase of £2.5 million in net assets.

ARC is the investment manager of AURE.

ARC is pursuing value enhancement opportunities in the AURE portfolio assets to increase net income and improve the profile of this income through lease extensions, renewals and reducing unrecoverable void costs.





Cambourne Business Park
Cambridge

Sector	Business parks
Underlying assets	Office
Tenants	Cambridge Cambourne Centre, Citrix Systems, Netcracker Technology
Area	9,767 square metres
Description	The asset consists of three Grade A specification modern office buildings located in the town of Cambourne. Phase 1000 is situated at the front of the business park. It is an institutional quality asset with Open B1 Business user planning.

Investment review (continued)

Cambourne Business Park, Phase 1000, Cambridge

Investment	Investment type	Carrying value	Income return	Property type / underlying security	Investment notes
Cambourne Business Park	Indirect property	£1.7m	11.2% *	High-yield business park located in Cambridge	Medium term moderately geared bank finance facility

* Yield on equity over 12 months to 31 March 2018

The Company has an investment of £1.7 million in a joint venture that owns Phase 1000 of Cambourne Business Park. The property consists of three Grade A specification modern office buildings constructed in 1999 and located in the town of Cambourne, approximately 8 miles west of Cambridge city centre. The property comprises 9,767 square metres of lettable area, is self-contained and has 475 car parking spaces. Phase 1000 is situated at the front of the business park with good access and visibility.

Phase 1000 is a high quality asset, fully let to Netcracker Technology EMEA Ltd, Citrix Systems and Cambridge Cambourne Centre Ltd (previously called 'Regus (Cambridge Cambourne) Ltd'). The property has open B1 Business user planning permission and has potential value-add opportunities.

Phase 1000 was purchased in a joint venture partnership with a major overseas investor for £23.0 million including acquisition costs. ART's equity contribution of £1.1 million, which represented 10.0% of the total equity commitment at acquisition, is invested into a joint venture entity, a subsidiary of which holds the property. The property is currently delivering an equity income return of 11.2% per annum as at 31 March 2018.

The Cambourne asset is funded by way of a £11.2 million (as at 31 March 2018) non-recourse bank debt facility which matures in 2020.

ARC is the investment manager to the joint venture owning the Cambourne property and continues to pursue opportunities to add value to the investment.

ART's portfolio provides a balance of stable high yielding assets and investments that offer scope to deliver strong cashflows, capital value growth and attractive risk adjusted total returns.

Investment review (continued)

Build-to-rent investments

Overview

ART has achieved the significant milestone of securing planning consent for each of its build-to-rent investments. These investments offer the opportunity to create a higher yield on cost than is available from purchasing existing built investments of the same quality. The investments also offer scope for capital growth as the sites mature or planning enhancements are achieved.

Build-to-rent investments provide the Company with flexibility to add value by either constructing the development, funded with either equity capital, joint venture capital or debt, and subsequently holding the completed assets as investments; or, alternatively, forward selling all or some of the developed property.

Private Rented Sector

ART's investment in the PRS sector targets the increasing growth opportunities identified in the private rented residential market as a result of rising occupier demand and an undersupply of accommodation and affords participation in a maturing market which is attracting greater institutional participation. The opportunity exists to create a portfolio delivering an attractive yield on equity. The securing of a portfolio of critical mass will afford participation in a maturing market which is attracting greater institutional investment.

Unity and Armouries, Birmingham

Investment	Investment type	Carrying value	Income return	Property type / underlying security	Investment notes
Unity and Armouries, Birmingham	Direct property	£4.7m	n/a	Central Birmingham residential build-to-rent	Planning consent for 90,000 square feet / 162 units plus commercial

ART owns Unity and Armouries, a development site located in central Birmingham with planning consent for 90,000 square feet of net saleable space comprising 162 residential apartments with ground floor commercial areas.

Detailed planning consent for ART's proposed project has been granted. There are no outstanding Section 106/Community Infrastructure Levy requirements and the site has an affordable unit designation for nine flats. The approved project includes 162 residential units with ground floor commercial (3,700 sq. ft.) and car parking spaces.

As at 31 March 2018, an independent valuation has been undertaken by GVA valuing the site at £4.7 million and also underwriting all of the current cost and value parameters currently assumed. The project has a potential gross development value in excess of £35 million.

Preferred construction partners have been selected. The project design team continues to review the existing detailed planning consent for possible enhancements to meet best in class PRS requirements and a value engineering process is underway to identify the most efficient and effective construction processes and potential cost savings. Discussions are underway with potential partners to investigate joint funding opportunities.

Unity and Armouries, Birmingham (concept drawing)

Monk Bridge, Leeds (concept drawing)

Investment review (continued)

Monk Bridge, Leeds

Investment	Investment type	Carrying value	Income return	Property type / underlying security	Investment notes
Monk Bridge, Leeds	Direct property	£9.0m	n/a		Planning consent for 205,129 square feet / 307 units plus commercial Outline consent for further 193,071 square feet / 357 units plus commercial

ART owns Monk Bridge, a central Leeds development site with detailed planning for 307 residential flats in three buildings over 180,049 square feet of net saleable space. The planning consent includes the restoration of the adjacent Grade II listed former railway arches as a raised park and ancillary retail, leisure and restaurant uses of 25,080 square feet in 16 units. Outline consent exists for a further 357 residential units in two buildings of up to 21 storeys over 193,071 square feet of net saleable space. The Company has submitted an application for detailed planning on this subsequent phase. The approval includes a provision for 5% of the 664 units as affordable.

As at 31 March 2018, an independent valuation was undertaken by Savills valuing the site at £9.0 million. The project has a potential estimated gross development value in excess of £160 million.

Preferred construction partners have been selected. The project design team continues to review the existing detailed planning consent for possible enhancements to meet best in class PRS requirements and a value engineering process is underway to identify the most efficient and effective construction processes and potential cost savings. Discussions are underway with potential partners to investigate joint funding opportunities.

Data centre, Frankfurt

Investment	Investment type	Carrying value	Income return	Property type / underlying security	Investment notes
Data centre, Frankfurt	Direct property	£19.3m (€22.0m)	n/a	Site with planning and committed power for data centre use	Freehold site with no debt

ART owns an industrial site in Frankfurt, Germany, for which it has secured detailed planning consent for a five-story data centre extending to 40,338 square metres and a commitment from the local utility provider to install a 35 MVA a dual feed power supply to the site. The power supply, funded by ART, will be installed on a phased basis over the coming three years, synchronised with local electricity substation and cable route upgrades.

Competitive tendering for pre-identified ground remediation works and the creation of an electricity receptor building have been completed and costs are in line with the Company's budget. These works are now underway and will create an on-site receptor required to receive the upgraded electricity supply connection and also create site conditions that are suitable for the construction of a data centre.

The acquisition of the site and planning and design costs in addition to ongoing site preparation works and electricity connection costs are being funded by the Company's cash reserves. Including the cost of site acquisition and planning costs funded to date, the Company's total investment into the data centre project is estimated to be up to €28 million (£24.5 million).

The Company's strategy is to secure a tenant pre-let and fund the balance of development costs with debt. Active marketing of the project to potential data centre occupiers is already underway.





Freehold Income Authorised Fund
FIAF

Sector	Freehold ground rents (UK)
Underlying assets	Freehold residential ground rents
Description	FIAF is an open-ended investment company that provides secure and stable investment returns from acquiring freehold residential ground rents, which offer an attractive income stream, capital growth prospects and attractive risk-adjusted returns. FIAF owns over 65,000 freeholds in the UK.

Investment review (continued)

Freehold ground rent investments

ART invests in a fund which holds a diversified portfolio of UK residential property freehold ground rents with a view to achieving steady and predictable returns, a consistent income stream and prospects for growth.

A ground rent is the payment made by the lessee of a property to the freeholder of that property. The investment represents the underlying freehold interest in a property which is subject to a lease for a period of time usually between 99 and 999 years.

Freehold Income Authorised Fund (“FIAF”)

Investment	Investment type	Carrying value	Income return	Property type / underlying security	Investment notes
Freehold Income Authorised Fund	Ground rent fund	£28.4m	4.6% *	Highly defensive income; freehold ground rents	No gearing; monthly liquidity

* 12 months income return; post tax

The Company has invested £28.4 million as at 31 March 2018 in FIAF, an open-ended fund that invests in UK freehold ground rents with a net asset value of £306.1 million as at 31 March 2018.

The following highlights were reported in the FIAF fact sheet as at 30 April 2018 (published in May 2018):

- FIAF owns over 65,000 freeholds with a gross annual ground rent income of circa £8.9 million.
- FIAF continues its unbroken 25 year track record of positive inflation beating returns.
- 86% of its freeholds have a form of inflation protection through periodic uplifts linked to Retail Price Index (RPI), property values or fixed uplifts.
- As of 12 January 2017, a 5% dilution levy is applied to subscriptions into FIAF. This levy remains constantly under review.

ART’s total return on its investment in FIAF was 8.9% (annualised post tax) for the year ended 31 March 2018.

Cash balances

Investment	Investment type	Carrying value	Income return	Property type / underlying security	Investment notes
Cash balance	Cash	£6.3m	0.1%	Current or ‘on call’ accounts	n/a

As at 31 March 2018, the Group had cash balances of £6.3 million.

Investment review (continued)

High yielding debt

Overview

ART continues to remain focussed on creating a diversified portfolio of high yielding smaller secured loans and mezzanine loans secured on real estate assets. ART seeks opportunities that it can fully underwrite with the support of the Investment Manager's asset-backed lending experience and knowledge of the underlying assets and sectors, or in partnership with specialist mezzanine providers. Repayment proceeds from current loans, such as the repayment of the AURE loan during the period, are expected be recycled into new loan business.

Secured finance

Investment	Investment type	Carrying value	Income return	Property type / underlying security	Investment notes
Secured mezzanine finance	Secured loans	£12.8m *	9.0%/16.0%**	Diversified loan portfolio focussed on real estate investments and developments	Secured debt and subordinated debt

* Including accrued coupon at the balance sheet date
** Annual coupon

In line with the objective of creating a diversified portfolio of smaller mezzanine loans, ART has furthered its mezzanine lending investment, extending twelve further loans during the year.

As at 31 March 2018, ART had invested £12.8 million in smaller real estate mezzanine loans. Post year end, a further three loans totalling £2.4 million were funded, an existing loan was increased by £0.3 million and one mezzanine loan of £0.3 million was repaid.

Further loan investments are continually being evaluated. Each loan will typically have a two year term and a maximum 75.0% loan to value ratio and is targeted to generate a double digit income return. Repayment proceeds will be rotated into new loan business.

Investment review (continued)

Other investments

ELM Trading Limited - indirect asset backed investment

Investment	Investment type	Carrying value	Income return	Property type / underlying security	Investment notes
ELM Trading Limited	Indirect asset backed investment	£5.3m	5%	Indirect investment in diversified real estate and renewables portfolio	Short term investment in fund with low external gearing

ART invests in ELM Trading Limited ("ELM"), a fund with a diversified portfolio of £223.9 million, which principally comprises real estate debt and renewable energy infrastructure investments. The investment is anticipated to be short term and is expected to provide a better return than currently earned on the Company's cash balances.

In September 2017, ART invested £15.0 million in ELM's ordinary shares and, from January to March 2018, £10.0 million in total were redeemed. As at 31 March 2018, ART had £5.3 million invested in ELM.

The Board of Directors of ELM is drawn from the partners and employees of Alpha Real Property Investment Advisers LLP ("ARPIA"), a subsidiary of ARC.

European Property Investment Portfolio plc ("Europip")

Investment	Investment type	Carrying value	Income return	Property type / underlying security	Investment notes
Europip	Indirect equity	£0.4m (€0.5m)	n/a	Awaiting final shareholder distribution	47% of ordinary shares in fund

ART has a 47.0% stake in Europip (shares are non-voting), an Isle of Man domiciled open ended investment company. Europip invested in a directly owned commercial property portfolio in Norway.

The portfolio has undergone an orderly realisation process and has completed the sale of its final asset and is in the process of being wound-up. Proceeds from asset sales have been used to redeem 85.0% of ART's shares. The remaining value of ART's investment in Europip is valued at £0.4 million and a further capital redemption distribution is expected in late 2018.

A subsidiary of ARC, ARPIA is the investment manager for Europip.

Healthcare & Leisure Property Limited ("HLP")

Investment	Investment type	Carrying value	Income return	Property type / underlying security	Investment notes
Healthcare & Leisure Property Limited	Indirect property	£0.4m	n/a	Leisure property fund	No external gearing

HLP has invested in companies operating in the hotel, care home, house building and leisure sectors throughout the UK. HLP's investments are predominantly un-geared.

HLP is managed by Albion Ventures LLP, a specialist UK venture capital manager. No new investments are being made by HLP.

As at 31 March 2018, ART had £0.4 million invested in HLP. ART continues to receive income from its investment while HLP's underlying assets are sold.

Investment review (continued)

Galaxia, National Capital Region, NOIDA

Investment	Investment type	Carrying value	Income return	Property type / underlying security	Investment notes
Galaxia	Investment receivable	£4.9m (INR 450m)	n/a	Development site located in NOIDA, Delhi, NCR	Legal process underway to recover investment by enforcing arbitration award

ART invested INR 450.0 million (£4.9 million) in the Galaxia project, a development site extending to 11.2 acres with the potential to develop 1.2 million square feet. Galaxia is located in NOIDA, an established, well planned suburb of Delhi that continues to benefit from new infrastructure projects and is one of the principal office micro-markets in India. The Company has a 50.0% shareholding in the SPV which controls the Galaxia site. There are no bank borrowings on the asset.

On 2 February 2011, ART recommenced arbitration proceedings against its development partner Logix Group ("Logix") in order to protect its Galaxia investment.

In January 2015, the Arbitral Tribunal, by a majority, decreed that Logix and its principals had breached the terms of the shareholders' agreement and has awarded the Company:

- Return of its entire capital invested of INR 450.0 million (equivalent to £4.9 million using the period end exchange rate) along with interest at 18.0% per annum from 31 January 2011 to 20 January 2015.
- All costs incurred towards the arbitration.
- A further 15.0% interest per annum on all sums was awarded to the Company from 20 January 2015 until the actual date of payment by Logix of the award.

Logix challenged the validity of the arbitration award in the Delhi High Court and latterly to the Division Bench of the Delhi High Court. Both courts dismissed the respective appeals and upheld the award declared in favour of the Company. Logix appealed the dismissal before the Supreme Court of India. The Supreme Court admitted the appeal and ordered Logix to deposit £2.2 million (INR 200 million) with the court and has listed the matter for final disposal in July 2018. In May 2018, the Supreme Court has permitted the Company to unconditionally withdraw INR 100 million (£1.1 million) and the remaining INR 100 million (£1.1 million) deposited by Logix against a bank guarantee.

ART has commenced execution of the award and the Delhi High Court has issued a warrant of attachment against the primary residential property owned by Shakti Nath and Meena Nath, promoters of Logix Group. The Court has also restrained Logix from alienating their immovable assets. ART continues to actively pursue Logix directors for the recovery of the award.

The sum awarded to ART has now accrued to £13.9 million at the current exchange rate. ART continues to hold the investment receivable at INR 450.0 million (£4.9 million) in the accounts due to uncertainty over timing and final value.

Summary

ART's portfolio provides a balance of stable high yielding assets and investments that offer scope to deliver strong cashflows, capital value growth and attractive risk adjusted total returns.

ART continues to actively pursue new investment targets that have the potential to generate attractive risk adjusted total returns while undertaking selective divestment from the current portfolio where profit taking opportunities are identified to enable capital recycling.

Brad Bauman and Gordon Smith
For and on behalf of the Investment Manager
14 June 2018

Directors

David Jeffreys

Chairman

Aged 58

David Jeffreys qualified as a Chartered Accountant with Deloitte Haskins and Sells in 1985. He works as an independent non-executive director to a number of Guernsey based investment fund companies and managers and is a Guernsey resident.

From 2007 until 2009 David was the Managing Director of EQT Funds Management Limited, the Guernsey management office of the EQT group of private equity funds. He was previously the Managing Director of Abacus Fund Managers (Guernsey) Limited between 1993 and 2004, a third party administration service provider to primarily corporate and fund clients.

In addition to the Company, David is a director of the following listed companies: Alpha Pyrenees Trust Limited and Tetragon Financial Group Limited.

Phillip Rose

Director

Aged 58

Phillip Rose is a Fellow of the Securities Institute and holds a Master of Law degree. He has over 30 years' experience in the real estate, funds management and banking industries in Europe, the USA and Australasia. He has been the Head of Real Estate for ABN AMRO Bank, Chief Operating Officer of European shopping centre investor and developer TrizecHahn Europe, Managing Director of retail and commercial property developer and investor Lend Lease Global Investment and Executive Manager of listed fund General Property Trust.

Phillip is currently CEO of Alpha Real Capital LLP and has been a member of the Management Committee for Hermes Property Unit Trust and its Audit Committee, and has been a Non-Executive Director of Great Portland Estates plc.

Jeff Chowdhry

Director

Aged 57

Jeff Chowdhry is currently Director, Emerging Market Equities at BMO Global Asset Management (EMEA). He has over 30 years of investment experience, the last 20 of which have been in Emerging Markets, focusing on key countries in Asia, Latin America and EMEA. Jeff began his career in 1982 and has held portfolio management positions at Royal Insurance plc and BZW Investment Management where he launched and managed one of the very first India funds available to foreign investors. He has an MBA from Kingston Business School and a BSc (Hons) in Economics from Brunel University, London.

Serena Tremlett

Director

Aged 53

Serena has over 25 years' experience in financial services, specialising in closed-ended property and private equity funds and fund administration over the last 20 years.

She is a non-executive director on the listed company board of Alpha Pyrenees Trust Limited, in addition to various unlisted property and private funds and general partners. Serena was previously company secretary (and a director) of Assura Group, at that time a FTSE 250 company listed on the London Stock Exchange, investing in primary healthcare property and ran Assura's Guernsey head office.

Prior to working for Assura, Serena was head of Guernsey property funds at Mourant International Finance Administration (now State Street) for two years and worked for Guernsey International Fund Managers (now Northern Trust) for seven years where she sat on a number of listed and unlisted fund boards. From 2008, Serena was co-founder and managing director of Morgan Sharpe Administration, a specialist closed-ended fund administrator which was sold to Estera on 28 April 2017. Serena remains its managing director.

Mel Torode

Director

Aged 38

Melanie Torode has 20 years' experience in the fund administration industry in Guernsey, focussing on closed-ended funds including private equity, property and mezzanine debt. She is the Co-Founder of Estera Administration (Guernsey) Limited (formerly Morgan Sharpe Administration Limited) and the Operations Directors of the Estera Guernsey business, a third party fund and fiduciary administrator.

Melanie worked at Guernsey International Fund Managers (now Northern Trust), on large private equity funds and European holding companies, moving to Mourant International Finance Administration (now State Street) where she spent more than two years concentrating primarily on listed property funds.

Between 2006 and founding Morgan Sharpe in April 2008, Melanie was the Company Secretary of Assura Administration and responsible for all company secretarial matters, the operational running of the office and overseeing the administration of listed property funds.

Melanie is currently a Director on a number of boards, including funds, general partners and associated Guernsey companies.

Directors' and corporate governance report

The Directors present their report and financial statements of the Alpha Real Trust Limited group ("the Group") for the year ended 31 March 2018.

Principal activities and status

During the year, the Company, an authorised closed-ended Guernsey registered investment company, carried on business as an investment company, investing in direct property, development, financing and other opportunities in real estate, real estate operating companies and securities, real estate services, infrastructure, infrastructure services, other asset-backed businesses and related operations and services businesses.

The Company's shares are traded on the Specialist Fund Segment ("SFS") of the London Stock Exchange ("LSE").

Business review, results and dividend

A review of the business during the year is contained in the Chairman's Statement on pages 4 to 7.

The results for the year to 31 March 2018 are set out in the financial statements.

On 9 March 2018, the Company declared a dividend of 0.6p per share, which was paid to shareholders on 6 April 2018. The intention of the Company is to pay a dividend quarterly. Further details on dividends are given in note 8 of the financial statements.

Corporate governance

As a Guernsey registered company traded on SFS, the Company is not required to comply with the UK Corporate Governance Code ("UK Code"). However, as a company authorised by the Guernsey Financial Services Commission ("GFSC"), it is required to follow the principles and guidance set out in the Finance Sector Code of Corporate Governance issued by the GFSC and effective from 1 January 2012 (re-issued in 2016, effective from 1 April 2016 year ends onwards) ("Guernsey Code"). Compliance with the Guernsey Code and general principles of good corporate governance are reviewed by the Board at least annually and, at the date of signing these financial statements, the Board is satisfied that the Company is fully compliant with the Guernsey Code. The Guernsey Code is available for consultation on the GFSC website: www.gfsc.gg.

The Board

Biographies of the Directors are set out on page 23. The initial Directors were appointed on 15 May 2006, with the exception of Mel Torode, appointed on 1 June 2018. On 30 May 2018, it was announced that Roddy Sage ceased to be a Director of the Company.

The Directors' interests in the shares of the Company as at 31 March 2018 are set out below and there have been no changes in such interests up to the current date:

	Number of ordinary shares 31 March 2018	Number of ordinary shares 31 March 2017
David Jeffreys	10,000	10,000
Phillip Rose	139,695	139,695
Serena Tremlett	15,000	15,000
Jeff Chowdhry	30,000	40,000
Roddy Sage*	-	-
Mel Torode**	-	-

* ceased to be a Director, as announced on 30 May 2018
** appointed on 1 June 2018

Non-executive directors are not appointed for specified terms; appointments of Board members can be terminated at any time without penalty and the Company's Articles of Association ("Articles") require each Director to retire and submit himself/herself to re-election by the shareholders at every third year. In addition, the Board believes that continuity and experience adds to its strength.

The Annual General Meeting of the Company will take place on 10 August 2018. At this meeting, Serena Tremlett and David Jeffreys will retire and submit themselves for re-election. The remainder of the Board recommend their re-appointment and confirm their independence.

Individual Directors may seek independent legal advice in relation to their duties on behalf of the Company.

Operations of the Board

The Board has determined that its role is to consider and determine the following principal matters which it considers are of strategic importance to the Company:

1) Review the overall objectives for the Company and set the Company's strategy for fulfilling those objectives within an appropriate risk framework

2) Consider any shifts in strategy that it considers may be appropriate in light of market conditions

3) Review the capital structure of the Company including consideration of any appropriate use of gearing both for the Company and in any joint ventures in which the Company may invest from time to time

4) Appoint the Investment Manager, Administrator and other appropriately skilled service providers and monitor their effectiveness through regular reports and meetings

5) Review key elements of the Company's performance including Net Asset Value and payment of dividends.

Directors' and corporate governance report (continued)

At Board meetings, the Board ensures that all the strategic matters are considered and resolved by the Board. Certain issues associated with implementing the Company's strategy are delegated either to the Investment Manager or the Administrator. Such delegation is over minor incidental matters and the Board continually monitors the services provided by these independent agents. The Board considers matters that are significant enough to be of strategic importance and are therefore reserved solely for the Board (e.g. all acquisitions, all disposals, significant capital expenditure, leasing and decisions affecting the Company's financial gearing).

The Board meets at least quarterly and as required from time to time to consider specific issues reserved for decision by the Board including all potential acquisitions of investments.

At the Board's quarterly meetings it considers papers circulated in advance including reports provided by the Investment Manager and the Administrator. The Investment Manager's report comments on:

- The property markets of the UK, Europe and India including recommendations for any changes in strategy that the Investment Manager considers may be appropriate
- Performance of the Group's portfolio and key asset management initiatives
- Transactional activity undertaken over the previous quarter and being contemplated for the future
- The Group's financial position including relationships with bankers and lenders.

These reports enable the Board to assess the success with which the Group's property strategy and other associated matters are being implemented and also consider any relevant risks and to consider how they should be properly managed.

The Company's service providers issue reports on their own internal controls and these reports are considered by the Board periodically.

In between its regular quarterly meetings, the Board has also met on a number of occasions during the year to approve specific transactions and for other matters.

Board and Directors' appraisals

The Board carries out an annual review of its composition and performance (including the performance of individual Directors) and that of its standing committees. Such appraisal includes reviewing the performance and composition of the Board (and whether it has an appropriate mix of knowledge, skills and experience), the relationships between the Board and the Investment Manager and Administrator, the processes in place and the information provided to the Board and communication between Board members.

Board Meeting attendance

The table below shows the attendance at Board meetings during the year to 31 March 2018:

Director	No of meetings attended
David Jeffreys	17
Phillip Rose	4
Serena Tremlett	17
Jeff Chowdhry	12
Roddy Sage	10
No. of meetings during the year	**19**

Directors' and officers' insurance

An appropriate level of Directors' and officers' insurance is maintained whereby Directors are indemnified against liabilities to third parties to the extent permitted by Guernsey company law.

Board Committees

The Board has established three standing committees, all of which operate under detailed terms of reference, copies of which are available on request from the Company Secretary.

Audit and Risk Committee

The Audit and Risk Committee (name changed on 12 October 2017, previously called Audit Committee) now consists of David Jeffreys (Chairman), Jeff Chowdhry and Serena Tremlett. The Board is satisfied that David Jeffreys continues to have the requisite recent and relevant financial experience to fulfil his role as Chairman of the Audit and Risk Committee.

Role of the Committee

The role of the Audit and Risk Committee, which meets at least twice a year, includes:

- The engagement, review of the work carried out by and the performance of the Group's external auditor
- To monitor and review the independence, objectivity and effectiveness of the external auditor
- To develop and apply a policy for the engagement of the external audit firm to provide non-audit services
- To assist the Board in discharging its duty to ensure that financial statements comply with all legal requirements
- To review the Group's financial reporting and internal control policies and to ensure that the procedures for the identification, assessment and reporting of risks are adequate
- To review regularly the need for an internal audit function

Directors' and corporate governance report (continued)

- To monitor the integrity of the Group's financial statements, including its annual and half-year reports and announcements relating to its financial performance, reviewing the significant financial reporting issues and judgements which they contain
- To review the consistency of accounting policies and practices
- To review and challenge where necessary the financial results of the Group before submission to the Board.

The Audit and Risk Committee makes recommendations to the Board which are within its terms of reference and considers any other matters as the Board may from time to time refer to it.

Members of the Audit and Risk Committee may also, from time to time, meet with the Group's independent property valuers to discuss the scope and conclusions of their work.

Committee meeting attendance

Director	No of meetings attended
David Jeffreys	3
Roddy Sage	2
Serena Tremlett	3
No. of meetings during the year	**3**

Policy for non audit services

The Committee has adopted a policy for the provision of non-audit services by the Company's external auditor, BDO Limited, and reviews and approves all material non-audit related services in accordance with the need to ensure the independence and objectivity of the external auditor. No services, other than audit-related ones, were carried out by BDO Limited during the year.

Internal audit

The Board relies upon the systems and procedures employed by the Investment Manager and the Administrator which are regularly reviewed and are considered to be sufficient to provide it with the required degree of comfort. Therefore, the Board continues to believe that there is no need for an internal audit function, although the Audit and Risk Committee considers this annually, reporting its findings to the Board.

Nomination Committee and attendance

The Nomination Committee now consists of David Jeffreys (Chairman), Phillip Rose and Serena Tremlett.

The Committee's principal task is to review the structure, size and composition of the Board in relation to its size and position in the market and to make recommendations to fill Board vacancies as they arise and it meets at least annually. It met once during the year and all Committee members were present.

Remuneration Committee and attendance

The Remuneration Committee consists of Serena Tremlett (Chairman), Jeff Chowdhry and David Jeffreys.

The Board has approved formal terms of reference for the Committee and a copy of these is available on request from the Company Secretary.

As the Company comprises only non-executive directors, the Committee's main role is to determine their remuneration within the cap set out in the Company's Articles. It met once during the year and all Committee members were present.

Remuneration report

The aggregate fees payable to the Directors are limited to £200,000 per annum under the Company's Articles and the annual fees payable to each Director have been increased by only 10% (Chairman) and 15% (other Directors) since the Company's shares were listed in 2006. The fees payable to the Directors are expected to reflect their expertise, responsibilities and time spent on the business of the Group, taking into account market equivalents, the activities, the size of the Group and market conditions. Under their respective appointment letters, each Director is entitled to an annual fee together with a provision for reimbursement for any reasonable out of pocket expenses.

During the year the Directors received the following emoluments in the form of fees from Group companies:

	Year ended 31 March 2018 £	Year ended 31 March 2017 £
David Jeffreys	33,910	34,875
Phillip Rose	23,000	23,000
Serena Tremlett	36,318	35,250
Jeff Chowdhry	23,000	23,000
Roddy Sage	23,000	23,000
Total	**139,228**	**139,125**

Internal control and risk management

The Board understands its responsibility for ensuring that there are sufficient, appropriate and effective systems, procedures, policies and processes for internal control of financial, operational, compliance and risk management matters in place in order to manage the risks which are an inherent part of business. Such risks are managed rather than eliminated in order to permit the Company to meet its financial and other objectives.

Directors' and corporate governance report (continued)

The Board reviews the internal procedures of both its Investment Manager and its Administrator upon which it is reliant. The Investment Manager has a schedule of matters which have been delegated to it by the Board and upon which it reports to the Board on a quarterly basis. These matters include quarterly management accounts and reporting both against key financial performance indicators and its peer group. Further, a compliance report is produced by the Administrator for the Board on a quarterly basis.

The Company maintains a risk management framework which considers the non-financial as well as financial risks and this is reviewed by the Audit and Risk Committee prior to submission to the Board.

Investment management agreement

The Company has an agreement with the Investment Manager. This sets out the Investment Manager's key responsibilities, which include proposing a property investment strategy to the Board, identifying property investments to recommend for acquisition and arranging appropriate lending facilities. The Investment Manager is also responsible to the Board for all issues relating to property asset management.

Substantial shareholding

Shareholders with holdings of more than 3 per cent of the voting rights of the Company as at 22 May 2018 were as follows:

Name of investor	No. of voting rights	% held
Alpha Global Property Securities Fund Pte. Ltd	22,550,000	35.50
Billien Limited	14,154,593	22.29
Armstrong Investments	5,150,000	8.11
Miton Asset Management	3,335,000	5.25
IPGL Limited	3,010,100	4.74
Charles Stanley	2,810,535	4.43
Amiya Capital	2,600,000	4.09

Shareholder relations

The Board places high importance on its relationship with its shareholders, with members of the Investment Manager's Investment Committee making themselves available for meetings with key shareholders and sector analysts. Reporting of these meetings and market commentary is received by the Board on a quarterly basis to ensure that shareholder communication fulfils the needs of being useful, timely and effective. One or more members of the Board and the Investment Manager will be available at the Annual General Meeting to answer any questions that shareholders attending may wish to raise.

Directors' Responsibilities Statement

The Directors are responsible for preparing the annual report and the financial statements in accordance with the applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Group at the end of the year and of the profit or loss of the Group for that year.

In preparing those financial statements, the Directors are required to:

1) select suitable accounting policies and then apply them consistently;

2) make judgements and estimates that are reasonable and prudent;

3) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

4) prepare the financial statements on the going concern basis unless it is appropriate to assume that the Group will not continue in business.

So far as each of the Directors is aware, there is no relevant information of which the Group's auditor is unaware, and they have taken all the steps they ought to have taken as Directors to make themselves aware of any relevant information and to establish that the Group's auditor is aware of that information.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

Directors' and corporate governance report (continued)

Going concern

After making enquiries, and bearing in mind the nature of the Group's business and assets, the Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Annual General Meeting

The AGM of the Company will be held in Guernsey at 9.00 am on 10 August 2018 at Old Bank Chambers, La Grande Rue, St Martin's, Guernsey. The meeting will be held to receive the Annual Report and Financial Statements, re-elect Directors and propose the reappointment of the auditor and that the Directors be authorised to determine the auditor's remuneration.

Independent Auditor

BDO Limited has expressed its willingness to continue in office as auditor.

By order of the Board,

David Jeffreys
Director

Serena Tremlett
Director

14 June 2018

Directors' statement pursuant to the Disclosure and Transparency Rules

Each of the Directors, whose names and functions are listed in the Directors' and corporate governance report confirm that, to the best of each person's knowledge and belief:

- The financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group, and
- The Chairman's statement and the investment review include a fair review of the development and performance of the business and the position of the Group and note 24 to the financial statements provides a description of the principal risks and uncertainties that the Group faces. The decision by the United Kingdom to leave the European Union, following the "Brexit" Referendum held in June 2016, is also considered to be a significant risk and uncertainty for the Group (page 7) that the Board will continue to monitor.

By order of the Board,

David Jeffreys
Director

Serena Tremlett
Director

14 June 2018

Independent auditors' report

To the Members of Alpha Real Trust Limited

We have audited the consolidated financial statements of Alpha Real Trust Limited (the "parent company") and its subsidiaries (the "group") for the year ended 31 March 2018 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the group's affairs as at 31 March 2018 and of the group's profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditors' report (continued)

Key audit matter	Audit response
H2O – Part disposal (notes 2 and 11) During the year the company sold 70% of its 100% holding in H20 to CBRE European Co-Investment Fund. Up until the point of disposal the Investment has been consolidated. On disposal a profit on disposal arose. IFRS requires any foreign currency translation reserve in connection with the disposal of a subsidiary (even if becoming a joint venture following disposal) to be recycled through the statement of comprehensive income and the amount included within the gain on disposal of the subsidiary. This resulting gain on disposal is a material figure to the financial statements and requires analysis of the results of the subsidiaries disposed of from the date of their incorporation. This transaction involves complex accounting and as such is susceptible to error.	We audited management's part disposal workings and adjustments made in the consolidation to ensure that H2O had been correctly part disposed and that the resulting gain on disposal and subsequent recycling of the foreign currency reserve in relation to this subsidiary, was calculated in accordance with IFRS. In calculating the gain on disposal, management utilised the balance sheet as at the date of disposal. We have agreed this to the sale agreement and the subsequent net asset adjustment agreed by both purchaser and seller following final completion of the transaction. The most significant change from the prior audited financial statements of the disposed subsidiary was in relation to the loan refinancing. We obtained and reviewed the new loan agreement and obtained a final statement confirming full repayment of the balance on refinancing. In addition to the above, we undertook procedures on the principal income statement elements (rent and interest paid) to the point of part disposal. Further we performed an analytical review of the remainder of the profit and loss items.
H2O – Equity accounting (notes 2 and 12) Following the sale of a 70% interest in H20, the group maintained a 30% equity interest. The remaining interest is accounted for under the equity method despite only owning 30% of the equity. Equity accounting results in an asset representing the group's share of the investment and a resulting profit and loss movement. Accordingly, the underlying financial results of H2O continue to have a significant impact on the group's financial statements. This is the first year of application of equity accounting in respect of this entity and is a complex area following the part disposal and hence is susceptible to error.	We audited management's consolidation workings and adjustments made in the consolidation to ensure that H2O had been correctly accounted for as a Joint Venture in accordance with accounting standards. We undertook procedures on the principal income statement elements (rent and interest paid) from the point of part disposal. Further we performed an analytical review of the remainder of the profit and loss items. In addition, we utilised the work of the component auditor, to assess the reasonableness of the results and hence the allocation of profits post de-recognition as a subsidiary to the share of profit of the joint venture and the share of the joint venture under the equity accounting method. H2O remains a significant component and as such we issued group instructions to the component auditor and obtained and reviewed their relevant audit papers. In addition, we undertook our own work in respect of the property valuation (see separate key audit matter).

Independent auditors' report (continued)

Key audit matter	Audit response
Property valuations (notes 12, 13 and 24) The group holds several investment properties within its subsidiaries and joint venture structures. With the exception of the property held within the Cambourne joint venture structure which is carried at directors' valuation, all properties have independent RICS valuations performed by independent valuers. Such property valuations are a highly subjective area as the valuers will make judgements as to property yields, quality of tenants, development costs and other variables to arrive at the current open market value of the property. Any input inaccuracies or unreasonable bases used in the valuation judgements (such as in respect of estimated rental value and yield profile applied) could result in a material misstatement of the group statement of comprehensive income and the group balance sheet.	For all independent property valuations, we evaluated the competence of the external valuers, which included consideration of their qualifications and expertise. We read the terms of engagement with the group to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work. We have read the valuation reports for the properties, discussed the basis of the property valuations with the valuers to understand the process undertaken by them and we confirmed that the valuations had been prepared in accordance with professional valuation standards and IFRS. We have considered the reasonableness of the inputs used by the valuers in the valuation, such as the terms of void periods, rent free periods and other assumptions that impact the value. For the Cambourne property we have obtained and considered the valuation prepared by the directors to confirm our expectation that all reasonable outcomes would not give rise to a material impact to the group due to the group holding only 10% of the joint venture vehicle.
Investment valuations (notes 15 and 23(d)) Investments are a principal element of the financial statements and consist of either investment in funds whose price is notified on an exchange or unlisted investments. As some of the portfolio is unlisted, the availability of external evidence regarding pricing and valuation is limited. This is a key accounting estimate where there is an inherent risk of management override arising from the investment valuations being prepared by the Investment Manager.	For the three material investments, AURE, FIAF and Elm Trading, we tested the valuation of all investments held by agreeing the prices used in the valuation to independent third party sources such as the price notified to the exchange or underlying net asset value statements. Due to the related party relationship of these investments we also undertook additional procedures such as:- • Obtaining the latest audited financial statements and ascertaining whether the underlying investments are being carried at fair value and whether the financial statements contain an unmodified audit report. • Obtaining and reviewing the latest fact sheets to identify anything that could indicate that the net asset value statements do not represent fair value. In addition, for the Elm Trading investment, due to its closed ended nature and being unlisted, we reviewed the other shareholder transactions within the investment around the year end and whether these indicated that the net asset value statement represents fair value.

Independent auditors' report (continued)

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgment, we determined materiality for the financial statements as a whole to be £2,110,000 (2017: £2,560,000), which is based on a level of 1.75% (2017: 1.5%) of total assets. We considered total assets to be the most appropriate benchmark due to the group being an investment fund with the objective of long term capital growth.

Performance materiality for the company has been set at £1,583,000 which is 75% of materiality. This has been set based upon the control environment in place, the directors' assessment of risk and our past experience of adjustments.

International Standards on Auditing (UK) also allow the auditor to set a lower materiality for particular classes of transaction, balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. In this context, we set a lower level of materiality to apply to sensitive fees including: management fees, performance fees, legal fees, directors' fees and audit fees. We determined materiality for these areas to be £211,000.

Component materiality has been set for the components which are significant to the group financial statements. Materiality for these components has been set at £1,000,000.

We agreed with the audit committee that we would report to the committee all individual audit differences identified during the course of our audit in excess of £63,300 (2017: £76,000). We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

There were no misstatements identified during the course of our audit that were individually, or in aggregate, considered to be material in terms of their absolute monetary value or on qualitative grounds.

An overview of the scope of our audit

We tailored the scope of our audit taking into account the nature of the group's investments, involvement of the Investment Manager, the accounting and reporting environment and the industry in which the group operates.

This assessment took into account the likelihood, nature and potential magnitude of any misstatement. As part of this risk assessment we considered the group's interaction with the Investment Manager. We assessed the control environment in place within the group to the extent that it was relevant to our audit. Following this assessment, we applied professional judgement to determine the extent of testing required over each balance in the financial statements.

The parent company and each subsidiary and joint venture entity form separate components of the group. Each component was assessed as to whether they were significant or not significant to the group by either their size or risk.

The following were considered significant components due to risks identified and size:-

- The parent company.
- The significant property holding company within the H2O joint venture (2017: subsidiary) structure.

These components have both been subject to full scope audits. The audit work on property holding companies within the H2O structure were completed by the component auditor and reviewed by us. In addition to the work performed by the component auditor, we have performed audit procedures on all key risk areas.

The following were considered significant components due to risks identified only:-

- The Cypriot entity with the investment receivable via the Logix litigation.
- The property holding company within the Cambourne joint venture structure.
- All property investment holding entities.
- All secured financing entities.

These components were not subject to full scope audits but instead we performed audit procedures over all of the risk areas identified.

For other entities within the group which are either intermediary holding companies or dormant entities, we have performed desktop reviews on them, as they are not significant to the group.

Independent auditors' report (continued)

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the parent company; or
- the financial statements are not in agreement with the accounting records; or
- we have failed to obtain all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

Responsibilities of Directors

As explained more fully in the Directors' and Corporate Governance report, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the group's and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at:

https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

The engagement director on the audit resulting in this independent auditor's report is Justin Marc Hallett.

Use of our report

This report is made solely to the parent company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the parent company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the parent company and the parent company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Justin Marc Hallett FCA
For and on behalf of BDO Limited
Chartered Accountants and Recognised Auditor
Place du Pré, Rue du Pré, St Peter Port, Guernsey
Date: 14 June 2018

Consolidated statement of comprehensive income

		For the year ended 31 March 2018			For the year ended 31 March 2017		
		Revenue	Capital	Total	Revenue	Capital	Total
	Notes	£'000	£'000	£'000	£'000	£'000	£'000
Income							
Revenue	3	4,662	-	4,662	12,262	-	12,262
Change in the revaluation of investment property	13	-	4,994	4,994	-	8,790	8,790
Gains on financial assets and liabilities held at fair value through profit or loss	24	2,412	571	2,983	1,899	1,664	3,563
Total income		**7,074**	**5,565**	**12,639**	**14,161**	**10,454**	**24,615**
Profit on investment property disposal		-	-	-	-	122	122
Profit on subsidiary disposal	2(c)	-	4,281	4,281	-	-	-
Expenses							
Property operating expenses	3	(1,438)	-	(1,438)	(4,400)	-	(4,400)
Investment Manager's fee	23	(2,033)	(310)	(2,343)	(1,912)	(2,743)	(4,655)
Other administration costs	4	(1,342)	-	(1,342)	(1,036)	-	(1,036)
Total operating expenses		**(4,813)**	**(310)**	**(5,123)**	**(7,348)**	**(2,743)**	**(10,091)**
Operating profit		**2,261**	**9,536**	**11,797**	**6,813**	**7,833**	**14,646**
Share of profit/(loss) of joint ventures	12	815	1,473	2,288	131	(19)	112
Finance income	5	8	158	166	10	-	10
Finance costs	6	(648)	-	(648)	(1,778)	(79)	(1,857)
Profit before taxation		**2,436**	**11,167**	**13,603**	**5,176**	**7,735**	**12,911**
Taxation	7	(38)	(526)	(564)	(25)	-	(25)
Profit for the year		**2,398**	**10,641**	**13,039**	**5,151**	**7,735**	**12,886**
Other comprehensive income/(expense) for the year							
Items that may be classified to profit and loss in subsequent periods							
Exchange differences arising on translation of foreign operations		-	1,786	1,786	-	3,330	3,330
Reclassification of foreign exchange gains on translation of foreign operations following disposals	11	-	(3,987)	(3,987)	-	-	-
Other comprehensive (expense)/income for the year		**-**	**(2,201)**	**(2,201)**	**-**	**3,330**	**3,330**
Total comprehensive income for the year		**2,398**	**8,440**	**10,838**	**5,151**	**11,065**	**16,216**
Earnings per ordinary share (basic & diluted)	9			**18.5p**			**18.6p**
Earnings per A share (basic & diluted)	9			**23.3p**			**18.6p**
Adjusted earnings per ordinary share and A share (basic & diluted)	9			**3.5p**			**7.4p**

The total column of this statement represents the Group's statement of comprehensive income, prepared in accordance with IFRS. The revenue and capital columns are supplied as supplementary information permitted under IFRS (see page 39). All items in the above statement derive from continuing operations.

The accompanying notes on pages 38 to 66 form an integral part of the financial statements

Consolidated balance sheet

	Notes	31 March 2018 £'000	31 March 2017 £'000
Non-current assets			
Investment property	13	33,021	112,442
Investment receivable	14	4,921	5,535
Investments held at fair value	15	6,798	7,814
Investment in joint ventures	12	19,332	1,538
Loans advanced	16	3,283	5,280
		67,355	**132,609**
Current assets			
Investments held at fair value	15	33,692	26,113
Derivatives held at fair value through profit or loss	24	100	-
Loans advanced	16	9,817	10,758
Trade and other receivables	17	3,403	2,703
Cash and cash equivalents		6,273	5,397
		53,285	**44,971**
Total assets		**120,640**	**177,580**
Current liabilities			
Trade and other payables	18	(1,663)	(6,789)
Bank borrowings	19	-	(60,618)
		(1,663)	**(67,407)**
Total assets less current liabilities		**118,977**	**110,173**
Non-current liabilities			
Bank borrowings	19	-	-
Deferred tax	7	(526)	-
Total liabilities		**(2,189)**	**(67,407)**
Net assets		**118,451**	**110,173**
Equity			
Share capital	20	-	-
Special reserve	21	78,261	79,306
Translation reserve	21	(190)	2,011
Capital reserve	21	20,880	10,511
Revenue reserve	21	19,500	18,345
Total equity		**118,451**	**110,173**
Net asset value per ordinary share	10	**172.9p**	**158.9p**

The financial statements were approved by the Board of Directors and authorised for issue on 14 June 2018. They were signed on its behalf by David Jeffreys and Serena Tremlett.

David Jeffreys
Director

Serena Tremlett
Director

The accompanying notes on pages 38 to 66 form an integral part of the financial statements.

Consolidated cash flow statement

	For the year ended 31 March 2018 £'000	For the year ended 31 March 2017 £'000
Operating activities		
Profit for the year after taxation	13,039	12,886
Adjustments for:		
Change in revaluation of investment property	(4,994)	(8,790)
Net gains on financial assets and liabilities held at fair value through profit or loss	(2,983)	(3,563)
Profit on subsidiary and investment property disposals (note 2(c))	(4,281)	(122)
Taxation	564	25
Share of profit of joint ventures	(2,288)	(112)
Interest receivable on loans to third and related parties	(1,017)	(2,381)
Finance income	(166)	(10)
Finance costs	648	1,857
Operating cash flows before movements in working capital	**(1,478)**	**(210)**
Movements in working capital:		
Movement in trade and other receivables	(1,451)	(1,216)
Movement in trade and other payables	(1,745)	1,913
Cash flows (used in)/from operations	**(4,674)**	**487**
Interest received	8	10
Interest paid	(315)	(1,552)
Tax paid	(28)	(13)
Cash flows used in operating activities	**(5,009)**	**(1,068)**
Investing activities		
Acquisition of investments	(21,260)	(1,072)
Acquisition of investment property	(11,262)	(2,826)
Disposal of 70% equity interest in H2O (note 2(c))	37,285	-
Cash disposed of as part of H2O partial disposal (note 2(c))	(4,811)	-
Proceeds on disposal of investment property	-	1,890
Redemption of investments	15,269	2,530
Redemption on preference shares' investment	3,121	404
Capital expenditure on investment property	(5,543)	(2,615)
Loan repayments from related parties	13,678	6,300
Loan interest received	956	2,056
Loans granted to third parties	(12,679)	(1,980)
Loans repaid by third parties	2,000	-
Dividend income from joint venture	-	40
Dividend income from other investments	105	23
Capital distribution from other investments	274	-
Cash flows from investing activities	**17,133**	**4,750**
Financing activities		
Bank loan repayment	(60,810)	(114)
Bank loan advanced	55,622	-
Bank loan costs	(1,432)	-
Share buyback	(1,018)	-
Share buyback costs	(27)	-
Cash paid on maturity of foreign exchange forward	(1,406)	(1,649)
Foreign exchange forward collateral (paid)/received	(850)	1,220
Interest rate swaption paid	(290)	-
Ordinary dividends paid	(1,243)	(1,664)
Special dividend paid to A shareholders	(272)	-
Cash flows used in financing activities	**(11,726)**	**(2,207)**
Net increase in cash and cash equivalents	**398**	**1,475**
Cash and cash equivalents at beginning of year	**5,397**	**3,863**
Exchange translation movement	478	59
Cash and cash equivalents at end of year	**6,273**	**5,397**

The accompanying notes on pages 38 to 66 form an integral part of the financial statements.

Consolidated statement of changes in equity

For the year ended 31 March 2017	Special reserve £'000	Translation reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total equity £'000
At 1 April 2016	**79,306**	**(1,319)**	**2,776**	**14,858**	**95,621**
Total comprehensive income for the year					
Profit for the year	-	-	7,735	5,151	12,886
Exchange differences arising on translation of foreign operations	-	3,330	-	-	3,330
Reclassification of foreign exchange losses/(gains) on translation of foreign operations following disposals	-	-	-	-	-
Total comprehensive income for the year	**-**	**3,330**	**7,735**	**5,151**	**16,216**
Transactions with owners					
Dividends	-	-	-	(1,664)	(1,664)
Total transactions with owners	**-**	**-**	**-**	**(1,664)**	**(1,664)**
At 31 March 2017	**79,306**	**2,011**	**10,511**	**18,345**	**110,173**
Notes 20, 21					

For the year ended 31 March 2018	Special reserve £'000	Translation reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total equity £'000
At 1 April 2017	**79,306**	**2,011**	**10,511**	**18,345**	**110,173**
Total comprehensive income for the year					
Profit for the year	-	-	10,641	2,398	13,039
Exchange differences arising on translation of foreign operations	-	1,786	-	-	1,786
Reclassification of foreign exchange gains on translation of foreign operations following disposals	-	(3,987)	-	-	(3,987)
Total comprehensive income for the year	**-**	**(2,201)**	**10,641**	**2,398**	**10,838**
Transactions with owners					
Dividends	-	-	(272)	(1,243)	(1,515)
Share buyback	(1,018)	-	-	-	(1,018)
Share buyback costs	(27)	-	-	-	(27)
Total transactions with owners	**(1,045)**	**-**	**(272)**	**(1,243)**	**(2,560)**
At 31 March 2018	**78,261**	**(190)**	**20,880**	**19,500**	**118,451**
Notes 20, 21					

The accompanying notes on pages 38 to 66 form an integral part of the financial statements.

Notes to the financial statements

For the year ended 31 March 2018

1. General information

The Company is a limited liability, closed-ended investment company incorporated in Guernsey. The address of the registered office is given on page 67. The nature of the Group's operations and its principal activities are set out in the Chairman's Statement on pages 4 to 7. The financial statements were approved and authorised for issue on 14 June 2018 and signed by David Jeffreys and Serena Tremlett on behalf of the Board.

2. (a) Significant accounting policies

A summary of the principal accounting policies is set out below. The policies have been consistently applied for all periods presented unless otherwise stated.

The preparation of financial statements in conformity with IFRS, as adopted by the EU, requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a high degree of judgement or complexity, or areas where the assumptions and estimates are significant to the financial statements are disclosed in this note.

Basis of preparation

These financial statements have been prepared in accordance with IFRS, which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB"), and International Accounting Standards and Standards Interpretations Committee's interpretations approved by the International Accounting Standards Committee ("IASC") that remain in effect, and to the extent that they have been adopted by the European Union.

(a) Adoption of new and revised Standards

There were no new standards or interpretations effective for the first time for periods beginning on or after 1 April 2017 that impacted the Group's accounting policies except for the Disclosure Initiative Amendment to IAS7: this amendment requires disclosure of changes in liabilities arising from financing activities (see note 19).

(b) Standards and Interpretations in issue and not yet effective

At the date of authorisation of these financial statements, there are a number of standards and interpretations, which have not been applied in these financial statements that were in issue but not yet effective. Those which may have an effect on the Group's financial statements are set out below:

IFRS 9: Financial instruments - for accounting periods commencing on or after 1 January 2018

IFRS 15: Revenue from contracts with customers - for accounting periods commencing on or after 1 January 2018

IFRS 16: Leases - for accounting periods commencing on or after 1 January 2019

The Directors anticipate that, with the exception of IFRS 9, the adoption of these standards and interpretations in future periods will not have a material impact on the financial statements of the Group.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or at fair value, replacing the many different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets (payments that are Solely Payments of Principal and Interest ('SPPI')).

IFRS 9 will also fundamentally change the loan loss impairment methodology. The standard will replace IAS 39's incurred loss approach with a forward-looking expected loss approach. The Group will be required to record an allowance for expected losses for all loans and other debt financial assets not held at fair value through profit or loss. The allowance is based on the expected credit losses associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case, the allowance is based on the probability of default over the life of the asset. The Group will establish a policy to perform an assessment at the end of each reporting period of whether credit risk has increased significantly since initial recognition by considering the change in the risk of default occurring over the remaining life of the financial instrument. To calculate the expected credit loss, the Group will estimate the risk of a default occurring on the financial instrument during its expected life. Expected credit losses are estimated based on the present value of all cash shortfalls over the remaining expected life of the financial asset (i.e. the difference between the contractual cash flows that are due to the Group under the contract, and the cash flows that the Group expects to receive, discounted at the effective interest rate of the loan). In comparison to IAS 39, the Group expects the impairment charge under IFRS 9 to be more volatile than under IAS 39 and to result in an increase in the total level of current impairment allowances.

The recognition and de-recognition requirements for financial assets and financial liabilities are unchanged from those set out in IAS 39.

The classification and measurement requirements of financial liabilities are broadly similar to IAS 39 although the requirements relating to financial liabilities measured at fair value have been amended so that changes in fair value relating to an entity's own credit risk are generally recognised directly in other comprehensive income. IFRS 9 requires one impairment method which would replace the various different methods indicated by IAS 39 that arise from the different categories' classification. At the time of adoption of the new standard it is expected only that the Group's financial assets will be required to be classified in accordance with the new standard and no changes in measurement will be required.

Notes to the financial statements (continued)

For the year ended 31 March 2018

2. (a) Significant accounting policies (continued)

As at 31 March 2018, the Group has invested in loan receivables, which are held at amortised cost, for a total of £12.8 million. As per IFRS 9 requirements, these loans will be subject to the SPPI test and, if they were to fail the test's requirements, the loans will be required to be held at fair value. The Group has commenced a process of assessment for each of these loans to consider whether they meet the SPPI test.

Other financial assets held by the Group are investments held at fair value through profit and loss, which would require no change in disclosure under IFRS 9.

IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations and is effective for annual periods beginning on or after 1 January 2018. As the Group's revenue is mainly derived from leases and IFRS 15 scopes out lease income, the application of IFRS 15 will not change the nature or timing of revenue recognised.

IFRS 16 substantially carries forward the lessor accounting requirements of IAS 17. Accordingly, a lessor will continue to classify its leases as finance leases or operating leases, and account for those two types of leases differently. Therefore, the Directors anticipate that the adoption of this standard will not have a material impact on the financial statements of the Group.

The principal accounting policies adopted are set out below.

Basis of consolidation

(a) Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and the subsidiary undertakings controlled by the Company, made up to 31 March each year. Control is achieved where the Company has power over the investee, exposure or rights, to variable returns from its involvement with the investee and the ability to use its power to affect the amount of the investor's returns.

The results of subsidiary undertakings acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal as appropriate.

When necessary, adjustments are made to the financial statements of subsidiary undertakings to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

ART holds a number of direct property investments through subsidiary undertakings. The Group is actively involved in the management of these property investments and its investment plans do not include specified exit strategies for these investments. As a result, ART plans to hold these property investments indefinitely. ART reports its investment properties at fair value in its financial statements, this is not the primary measurement attribute used by management to evaluate the performance of these investments. In consequence, management have concluded that ART does not meet the definition of an investment entity and the subsidiaries have been consolidated into the Group's balance sheet, rather than being carried at fair value.

When a partial disposal of a subsidiary occurs which causes the entity to no longer be controlled and hence no longer a subsidiary, the company derecognises the subsidiary and recognises the retained interest initially at fair value.

When calculating the profit or loss on disposal the company measures the retained interest at fair value and includes this in the fair value of the consideration received. The profit or loss on disposal is the difference between the fair value of the consideration received and the carrying value of the assets and liabilities disposed of, as reduced by transactions costs incurred and any foreign currency gains or losses recycled on disposal as per the foreign currency accounting policy in respect of group companies.

(b) Joint ventures

The Group applies IFRS 11 to its joint arrangement. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Presentation of statement of comprehensive income

In order to better reflect the activities of an investment company and in accordance with guidance issued by the Association of Investment Companies ("AIC"), supplementary information, which analyses the statement of comprehensive income between items of a revenue and capital nature, has been presented alongside the statement of comprehensive income (see note 21).

Notes to the financial statements (continued)

For the year ended 31 March 2018

2. (a) Significant accounting policies (continued)

Revenue recognition

Rental income and service charge income from investment property leased out under an operating lease are recognised in the statement of comprehensive income on a straight line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the net consideration for the use of the property and are therefore also recognised on the same straight line basis. Rental revenues are accounted for on an accruals basis. Therefore, deferred revenue generally represents advance payments from tenants. Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue can be measured reliably. Upon early termination of a lease by the lessee, the receipt of a surrender premium, net of dilapidations and non-recoverable outgoings relating to the lease concerned, is immediately recognised as revenue.

Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable.

Other income is recognised when received.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the Group entities are measured in the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Sterling, which is the Company's functional and presentation currency.

(b) Transactions and balances

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses arising on retranslation are included in profit or loss for the year.

(c) Group companies

The results and financial position of all the Group entities that have a functional currency which differs from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;

(ii) income and expenses for each statement of comprehensive income are translated at the average exchange rate prevailing in the period; and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, the exchange differences arising from the translation of the net investment in foreign entities are taken to equity. When a foreign operation is sold, such exchange differences are recognised in the statement of comprehensive income as part of the gain or loss on sale.

For Euro based balances the year end exchange rate used is £1:€1.141 (2017: £1:€1.172) and the average rate for the year used is £1:€1.134 (2017: £1:€1.191). The year-end exchange rate used for Indian rupee (INR) balances is £1:INR91.445 (2017: £1:INR81.305) and the average rate for the year used is £1:INR85.526 (2017: £1:INR87.668).

Expenses

All expenses are accounted for on an accruals basis and include fees and other expenses paid to the Administrators, the Investment Manager and the Directors. In respect of the analysis between revenue and capital items, presented within the statement of comprehensive income, all expenses have been presented as revenue items except expenses which are incidental to the acquisition of an investment property which are included within the cost of that investment property. The Investment Manager's performance fee is charged to the capital column in the statement of comprehensive income in order to reflect that the fee is due primarily to the capital performance of the Group.

Taxation

The Company is exempt from Guernsey taxation on income derived outside of Guernsey and bank interest earned in Guernsey. A fixed annual fee of £1,200 was payable to the States of Guernsey in respect of this exemption for the year. No charge to Guernsey taxation arises on capital gains. The Group is liable to foreign tax arising on activities in the overseas subsidiaries. The Group has subsidiary operations in Cyprus and India. The Group also holds investments in Spain, owned through investment entities in Luxembourg and the Netherlands, in Germany, owned through a limited partnership incorporated in Germany with corporate partners incorporated in Luxembourg, in the United Kingdom, owned through investment entities incorporated in Jersey (Cambourne) and owned through limited partnerships incorporated in the UK (PRS investments). The Group is therefore liable to taxation in these overseas jurisdictions.

The tax expense represents the sum of the tax currently payable and deferred tax.

Notes to the financial statements (continued)

For the year ended 31 March 2018

2. (a) Significant accounting policies (continued)

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been substantively enacted at the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible timing differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realised. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Dividends

Dividends are recognised as a liability in the Group's financial statements in the period in which they become obligations of the Group.

Fair value measurement

The Group measures certain financial instruments such as derivatives and non-financial assets such as investment property, at fair value at the end of each reporting period, using recognised valuation techniques and following the principles of IFRS 13. In addition, fair values of financial instruments measured at amortised cost are disclosed in the financial statements.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability

or

- in the absence of a principal market, in the most advantageous market for the asset or liability.

The Group must be able to access the principal or the most advantageous market at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially recognised at cost being the fair value of consideration given including related transaction costs.

After initial recognition at cost and/or upon commencement of construction, investment property is carried at its fair value based on half yearly professional valuations made by independent valuers. The valuations are in accordance with standards complying with the Royal Institution of Chartered Surveyors Appraisal and Valuation manual and the International Valuation Standards Committee.

Gains or losses arising from changes in fair value of investment property are included in the statement of comprehensive income in the period in which they arise. Investment property is treated as acquired when the Group assumes the significant risks and returns of ownership and as disposed of when these are transferred to the buyer.

All costs directly associated with the purchase of an investment property and all subsequent expenditures qualifying as acquisition costs are capitalised.

Notes to the financial statements (continued)

For the year ended 31 March 2018

2. (a) Significant accounting policies (continued)

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, which is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company.

The investing policy means the Group may invest in real estate opportunities unconstrained by geography, but with a particular focus on the UK, Europe and Asia. At present, for management purposes, the Group is organised into one main operating segment being Europe.

All of the Group's revenue is from entities that are incorporated in Europe.

With the exception of the Galaxia investment receivable (note 14), all of the Group's non-current assets are located in Europe.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. The Group shall offset financial assets and financial liabilities if the Group has a legally enforceable right to set off the recognised amounts and interests and intends to settle on a net basis.

(a) Financial assets

The Group's financial assets fall into the categories discussed below, with the allocation depending to an extent on the purpose for which the asset was acquired. Although the Group uses derivative financial instruments in economic hedges of currency and interest rate risk, it does not hedge account for these transactions. The Group has not classified any of its financial assets as held to maturity or as available for sale.

Unless otherwise indicated, the carrying amounts of the Group's financial assets are a reasonable approximation of their fair values.

(a) (i) Investments held at fair value through profit or loss

Investments are classified as 'fair value through profit or loss' and are initially recognised at cost, being the fair value of the consideration given.

Financial assets designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Group's investment strategy. The Group's policy is for the Investment Manager and the Board of Directors to evaluate the information about these financial assets on a fair value basis together with other related financial information.

Recognition

Purchases and sales of investments are recognised on the transaction date, the date on which the Group commits to purchase or sell the investment.

Measurement

Financial assets at fair value through profit or loss are initially recognised at fair value with transaction costs being expensed in the statement of comprehensive income. Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income in the period in which they arise.

(a) (ii) Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They mainly relate to interest bearing loans granted to related and third parties but also arise through rental leases with tenants (e.g. trade receivables and cash and cash equivalents) and incorporate other types of contractual monetary assets. They are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue and subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

The effect of discounting on these financial instruments is not considered to be material.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms of the receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, such impairments directly reduce the carrying amount of the impaired asset and are recognised against the relevant income category in the statement of comprehensive income.

Cash and cash equivalents are carried at cost and consist of cash in hand and short term deposits in banks with an original maturity of three months or less.

(a) (iii) Derivatives at fair value through profit or loss

This category comprises only 'in the money' financial derivatives. They are carried in the balance sheet at fair value with changes in fair value recognised in the statement of comprehensive income.

The fair value of the Group's derivatives is based on valuations as described in note 24.

Notes to the financial statements (continued)

For the year ended 31 March 2018

2. (a) Significant accounting policies (continued)

(a) (iv) Derecognition of financial assets

A financial asset (in whole or in part) is derecognised either:

- when the Group has transferred substantially all the risks and rewards of ownership, or
- when it has neither transferred nor retained substantially all the risks and rewards and when it no longer has control over the asset or a portion of the asset, or
- when the contractual right to receive cash flow has expired.

(b) Financial liabilities

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was issued and its characteristics. Although the Group uses derivative financial instruments in economic hedges of currency and interest rate risk, it does not hedge account for these transactions.

Unless otherwise indicated, the carrying amounts of the Group's financial liabilities are a reasonable approximation of their fair values.

(b) (i) Derivatives at fair value through profit or loss

This category comprises only 'out-of-the-money' financial derivatives. They are carried in the balance sheet at fair value with changes in fair value recognised in the statement of comprehensive income. Other than derivative financial instruments, the Group does not have any liabilities held for trading nor has it designated any other financial liabilities as being at fair value through profit or loss.

The fair value of the Group's derivatives is based on the valuations as described in note 25.

(b) (ii) Financial liabilities measured at amortised cost

Other financial liabilities include the following items:

- Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method;
- Bank borrowings which are initially recognised at fair value net of attributable transaction costs incurred. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method.

(b) (iii) Derecognition of financial liabilities

A financial liability (in whole or in part) is derecognised when the Company or Group has extinguished its contractual obligations, it expires or is cancelled. Any gain or loss on derecognition is taken to the statement of comprehensive income.

(c) Share capital

Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The Company's ordinary shares and class A shares are classified as equity instruments. For the purposes of the disclosures given in note 24 the Group considers all its share capital, share premium and all other reserves as equity. The Company is not subject to any externally imposed capital requirements.

(d) Effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or liability, or, where appropriate, a shorter period.

2. (b) Significant accounting estimates and judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Investment property

The Group uses the valuations carried out by its independent valuers as the fair value of its investment properties. The valuations are based upon assumptions including future rental income, anticipated maintenance costs, future development costs and the appropriate discount rate. The valuers also make reference to market evidence of transaction prices for similar properties. Investment property which is in the course of construction is carried at cost plus associated costs and this has been considered by the Directors to represent fair value at the balance sheet date: upon commencement of construction, valuations will be carried out by independent valuers. Refer to notes 13 and 25 for further details.

Notes to the financial statements (continued)

For the year ended 31 March 2018

2. (b) Significant accounting estimates and judgements (continued)

(b) Estimate of fair value of indirect property investment - Galaxia

The property interest in Galaxia is classified as an investment receivable and has been included within the financial statements based on the current estimate of realisable value to the Group (see note 14).

The Directors, taking into consideration legal advice received following Logix's challenge of the Award, consider it appropriate to carry this investment in its accounts as a receivable of INR 450.0 million, which is the amount invested but excludes penalty interest payment and other payments awarded in ART's favour due to uncertainty over timing and final value of the Award.

2. (c) Significant transactions: part disposal of H2O (Madrid, Spain)

On 4 August 2017, the Group disposed of 70% of its equity interest in the H2O shopping centre in Madrid, Spain ('H2O'), to CBRE European Co-Investment Fund ('CBRE'), managed by CBRE Global Investors, for €41.3 million (£37.3 million). The 30% investment retained by ART is made via its Dutch subsidiary, KMS Holding NV, into CBRE H2O Rivas Holding NV ('CBRE H2O'), a company also based in the Netherlands, which in turn owns 100% of the Spanish entities that are owners of the H2O shopping centre (Alpha Tiger Spain 1, SLU, Alpha Tiger Spain 2, SLU and Alpha Tiger Spain 3).

As per the joint venture agreement, entered into by ART and CBRE, there are no different voting rights attached to the ordinary shares of CBRE H2O; risks and rewards are shared as per the investment ratio of ART (30%) and CBRE (70%); CBRE H2O has a management board comprised of two Directors, one appointed by ART and one by CBRE; the joint venture business needs to be conducted by unanimous vote of each Director or, in case of decisions escalated to the shareholders, by unanimous vote of each shareholder. As of 4 August 2017, ART has therefore no power to directly govern the financial and operating policies of H2O; accordingly, the Group no longer consolidates its interest in the structure holding H2O: in compliance with IFRS 11 (Joint Arrangements), the Group has adopted the equity method of accounting for its joint venture. Income and expenses related to the H2O investment have been recognised in the statement of comprehensive income up to 4 August 2017; thereafter the Group has recognised its share of the joint venture profit up to the period end (note 12).

The Group's part disposal of its equity interest in H2O can be summarised as follows:

	Year ended 31 March 2018 £'000
Consideration received at fair value:	
Cash (page 36)	37,285
30% interest retained (note 12)	15,979
Total consideration	**53,264**
Assets and liabilities disposed of at carrying value:	
Investment property (note 13)	(107,449)
Cash (page 36)	(4,811)
Borrowings (note 19)	57,191
Other assets and liabilities	2,138
Total assets and liabilities	**(52,931)**
Total consideration less disposed assets and liabilities	**333**
Transaction costs	(39)
Foreign exchange gain on translation following disposal	3,987
Profit on disposal	**4,281**

Notes to the financial statements (continued)

For the year ended 31 March 2018

3. Revenue

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Rental income	2,535	7,178
Service charge income	1,099	2,702
Rental revenue	**3,634**	**9,880**
Interest receivable on loans to related parties (note 16, 23)	359	2,284
Interest receivable on loans to third parties (note 16)	658	97
Interest revenue	**1,017**	**2,381**
Other income	11	1
Other revenue	**11**	**1**
Total	**4,662**	**12,262**

At 31 March 2018, the Group recognised non recoverable property operating expenditure as follows:

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Service charge income	1,099	2,702
Property operating expenditure	(1,438)	(4,400)
Non recoverable property operating expenditure	**(339)**	**(1,698)**

The total revenue and non recoverable property operating expenditure for the year relates to the H2O investment up to 4 August 2017; thereafter the Group has recognised its share of the joint venture profit up to the year end (note 2(c)).

As at 31 March 2018, the Group directly owned three investment properties in the course of development (Unity and Armouries (Birmingham) and Monk Bridge (Leeds) in the UK and the data centre at Borsigallee 1-7 (Frankfurt) in Germany) so it had no contracted future minimum lease payments with any tenant; the comparatives as at 31 March 2017 represent the projected payments at that time with the Group's tenants at the H2O Shopping Centre.

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Within one year	-	5,659
In the second to fifth years inclusive	-	10,583
After five years	-	1,323
Total	**-**	**17,565**

4. Other administration costs

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Auditors' remuneration for audit services	90	97
Accounting and administrative fees	538	447
Non-executive directors' fees	139	139
Other professional fees	575	353
Total	**1,342**	**1,036**

Notes to the financial statements (continued)

For the year ended 31 March 2018

5. Finance income

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Bank interest receivable	8	10
Foreign exchange gain	158	-
Total	**166**	**10**

6. Finance costs

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Interest on bank borrowings	648	1,778
Foreign exchange loss	-	79
Total	**648**	**1,857**

The above finance costs arise on financial liabilities measured at amortised cost using the effective interest rate method. No other losses have been recognised in respect of financial liabilities at amortised cost other than those disclosed above.

Interest on bank borrowings for the period relates to the H2O investment up to 4 August 2017; thereafter the Group has recognised its share of the joint venture profit up to the period end (note 2(c)).

7. Taxation

(a) Parent Company

The Parent Company is exempt from Guernsey taxation on income derived outside of Guernsey and bank interest earned in Guernsey. A fixed annual fee of £1,200 (31 March 2017: £1,200) was payable to the States of Guernsey in respect of this exemption for the year. No charge to Guernsey taxation arises on capital gains. The Group is liable to foreign tax arising on activities in its overseas subsidiaries. The Company has investments, subsidiaries and joint venture operations in Luxembourg, the United Kingdom, Germany, the Netherlands, Spain, Cyprus, Jersey and India.

(b) Group

The Group's tax expense for the year comprises:

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Deferred tax	526	-
Current tax	38	25
Tax Expense	**564**	**25**

The charge for the year can be reconciled to the profit per the consolidated statement of comprehensive income as follows:

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Tax expense reconciliation		
Profit before taxation	13,603	12,911
Less: income not taxable	(40,901)	(8,920)
Add: expenditure not deductible	33,820	5,574
Un-provided deferred tax asset	(3,085)	(9,454)
Total	**3,437**	**111**

Notes to the financial statements (continued)

For the year ended 31 March 2018

7. Taxation (continued)

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Analysed as arising from		
Cyprus entities	42	64
Dutch entity	72	47
India entity	-	-
Luxembourg entities	-	-
German investment	3,323	-
UK investment	-	-
Total	**3,437**	**111**

Tax at domestic rates applicable to profits in the countries concerned is as follows:

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Cypriot taxation at 12.50%	5	8
Dutch taxation at 20%	14	9
India taxation at 22.66%	-	-
Luxembourg entities at an average rate of 29.22% *	19	8
German taxation at 15.825%	526	-
UK taxation at 20%	-	-
Total	**564**	**25**

*The taxation incurred in Luxembourg mainly relates to the minimum net wealth tax charge of €4,815 per entity.

(c) Deferred taxation

The following is the deferred tax recognised by the Group and movements thereon:

	Revaluation of Investment Property £'000	Accelerated tax depreciation £'000	Tax Losses £'000	Other temporary differences £'000	Total £'000
At 31 March 2016	**-**	**4**	**(346)**	**342**	**-**
Release to income	-	-	(79)	79	-
At 31 March 2017	**-**	**4**	**(425)**	**421**	**-**
Release to income	526	(4)	306	(302)	-
At 31 March 2018	**526**	**-**	**(119)**	**119**	**-**

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes available for offset against future profits.

	2018 £'000	2017 £'000
Deferred tax liabilities	645	425
Deferred tax assets	(119)	(425)
Total	**526**	**-**

At the balance sheet date the Group has unused tax losses of £0.5 million (2017: £2.3 million). Due to the unpredictability of future taxable profits, the Directors believe it is not prudent to recognise a deferred tax asset for the unused tax losses.

Unused tax losses in Luxembourg, Spain and the United Kingdom can be carried forward indefinitely. Unused tax losses in the Netherlands can be carried forward for nine years. Unused tax losses in Cyprus can be carried forward for five years.

Notes to the financial statements (continued)

For the year ended 31 March 2018

8. Dividends

Dividend reference period	Shares '000	Dividend per share	Paid £	Date
Quarter ended 31 March 2017	69,323	0.6p	415,939	21 July 2017
Quarter ended 30 June 2017	69,323	0.6p	415,939	22 September 2017
Quarter ended 30 September 2017	68,497	0.6p	410,981	15 December 2017
Total			**1,242,859**	

On 6 April 2018, the Company paid a dividend for the quarter ended 31 December 2017 of £410,981 (0.6p per share).

In addition, during the year, Romulus disposed of its property portfolio, which generated approximately £0.3 million for ART A shareholders: this amount was therefore paid to ART A shareholders as a special dividend on 7 July 2017.

The Company will pay a dividend for the quarter ended 31 March 2018 on 20 July 2018. In accordance with IAS 10, this dividend has not been included in these financial statements as the dividend was declared and paid after the year end. The current intention of the Directors is to pay a dividend quarterly.

9. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	Year ended 31 March 2018 Ordinary share	Year ended 31 March 2018 A share	Six months ended 30 September 2017 Ordinary share	Six months ended 30 September 2017 A share	Year ended 31 March 2017 Ordinary and A share
Earnings per statement of comprehensive income (£'000)	11,703	1,336	8,383	1,103	12,886
Basic and diluted earnings pence per share	**18.5**	**23.3**	**13.3**	**17.7**	**18.6p**
Earnings per statement of comprehensive income (£'000)	11,703	1,336	8,383	1,103	12,886
Net change in the revaluation of investment properties	(4,578)	(416)	(1,503)	(149)	(8,790)
Profit on subsidiary disposal	(3,924)	(357)	(3,813)	(378)	-
Profit on investment property disposal	-	-	-	-	(122)
Movement in fair value of investments	(1,457)	(132)	(1,069)	(105)	(2,568)
Gain on interest rate swaption	(13)	(1)	(13)	(1)	-
Loss on foreign exchange forward	1,197	109	1,279	127	904
Movement in fair value of the joint ventures' interest rate swaption (mark to market)	(3)	-	5	-	-
Net change in the revaluation of the joint ventures' investment property	(1,348)	(122)	(209)	(21)	19
Investment Manager's fees (performance fee)	284	26	-	-	2,743
Deferred tax	482	44	-	-	-
Romulus capital return	-	(274)	-	(274)	-
Foreign exchange (gain)/loss	(145)	(13)	(1,189)	(117)	79
Adjusted earnings	**2,198**	**200**	**1,871**	**185**	**5,151**
Adjusted earnings per share	**3.5**	**3.5**	**3.0p**	**3.0p**	**7.4p**
Weighted average number of shares ('000s)	**63,163**	**5,739**	**63,066**	**6,244**	**69,323**

The adjusted earnings are presented to provide what the Board believes is a more appropriate assessment of the operational income accruing to the Group's activities. Hence, the Group adjusts basic earnings for income and costs which are not of a recurrent nature or which may be more of a capital nature.

Notes to the financial statements (continued)

For the year ended 31 March 2018

10. Net asset value per share

	31 March 2018	30 September 2017	31 March 2017
Net asset value (£'000)	118,451	114,626	110,173
Net asset value per ordinary share	**172.9p**	**167.3p**	**158.9p**
Total number of shares ('000s)	**68,497**	**68,497**	**69,323**

11. Investment in subsidiary undertakings

A list of the significant investments in subsidiaries as at 31 March 2018, including the name, country of incorporation and the proportion of ownership interest is given below.

Name of subsidiary undertaking	Class of share	% of class held with voting rights	Country of incorporation	Principal activity
Alpha Tiger Cyprus Holdings Limited	Ordinary shares	100	Cyprus	Holding Company
Alpha Tiger Cyprus Investments No. 2 Limited	Ordinary shares	100	Cyprus	Holding Company
Alpha Tiger Cyprus Investments No. 3 Limited	Ordinary shares	100	Cyprus	Holding Company
Luxco 111 SARL	Ordinary shares	100	Luxembourg	Holding Company
Skyred International SARL	Ordinary shares	100	Luxembourg	Holding Company
Iron Bridge Finance Luxembourg SARL	Ordinary shares	100	Luxembourg	Holding Company
Sixteen Rock Rose SARL	Ordinary shares	100	Luxembourg	Holding Company
Sixteen Rock Rose 2 SARL	Ordinary shares	100	Luxembourg	Holding Company
Sixteen Guava SARL	Ordinary shares	100	Luxembourg	Holding Company
KMS Holding NV	Ordinary shares	100	Netherlands	Holding Company
Alpha Tiger Guernsey Holdings No.1 Ltd	Ordinary shares	100	Guernsey	Holding Company
ART Resi Unit Trust	Ordinary units	100	Guernsey	Holding Company

During the year, the Group liquidated Luxco 114 SARL in Luxembourg and Iron Sky 1 Limited in Guernsey.

The Group also owns one limited partnership in Germany (Sixteen Rock Rose Sàrl & Co Vermögensverwaltungs KG) to hold its Frankfurt data centre investment.

Following the Group's part disposal of its equity interest in H2O (note 2(c)), Alpha Tiger Spain 1, SLU, Alpha Tiger Spain 2, SLU and Alpha Tiger Spain 3, SLU are no longer subsidiaries of the Group.

12. Investment in joint ventures

The movement in the Group's share of net assets of the joint ventures can be summarised as follows:

	H2O 31 March 2018 £'000	Cambourne 31 March 2018 £'000	Total 31 March 2018 £'000	Cambourne 31 March 2017 £'000
As at 1 April	**-**	**1,538**	**1,538**	**1,596**
Transfer of 70% equity interest in H2O (note 2)	15,979	-	15,979	-
Group's share of joint venture profits before fair value movements and dividends	677	138	815	131
Fair value adjustment for interest rate swaption	(18)	-	(18)	-
Fair value adjustment for investment property	1,488	3	1,491	(19)
Equity return	-	-	-	(130)
Dividends paid by joint venture to the Group	-	-	-	(40)
Foreign exchange movements	(473)	-	(473)	-
As at 31 March	**17,653**	**1,679**	**19,332**	**1,538**

Notes to the financial statements (continued)

For the year ended 31 March 2018

12. Investment in joint ventures (continued)

The Group's investments in joint ventures can be summarised as follows:

- H2O shopping centre in Madrid, Spain: the Group holds a 30% equity investment in CBRE H2O Rivas Holding NV ('CBRE H2O'), a company based in the Netherlands, which in turn owns 100% of the Spanish entities that are owners of H2O. CBRE H2O is a Euro denominated company hence the Group translates its share of this investment at the relevant year end exchange rate with movements in the period translated at the average rate for the period. As at 31 March 2018, the carrying value of ART's investment in CBRE H2O was £17.6 million (€20.1 million).
- Phase 1000 of Cambourne Business Park, Cambridge, UK: the Group holds a 10% equity investment in the Scholar Property Holdings Limited group, owner of the property. As at 31 March 2018, the carrying value of ART's investment in Scholar Property Holdings Limited was £1.7 million (31 March 2017: £1.5 million).

Foreign exchange movement is recognised in other comprehensive income.

The investment in CBRE H2O is deemed to be significant and material for the Group; the CBRE H2O financial information can therefore be summarised as follows:

Statement of comprehensive income	4 August 2017 to 31 March 2018 £'000
Revenue	6,768
Change in the revaluation of investment property	4,960
Total income	**11,728**
Operating expenses	(3,644)
Operating profit	**8,084**
Finance income	-
Finance costs	(922)
Profit before taxation	**7,162**
Taxation	-
Profit for the period	**7,162**
Other comprehensive income/(expense)	-
Total comprehensive income	**7,162**

Balance sheet	4 August 2017 to 31 March 2018 £'000
Investment property	111,218
Derivatives held at fair value through profit or loss	218
Non-current assets	**111,436**
Trade debtors	1,181
Other debtors	469
Cash	5,533
Current assets	**7,183**
Trade and other payables	(4,003)
Bank borrowings	(123)
Current liabilities	**(4,126)**
Bank borrowings	(55,650)
Non-current liabilities	**(55,650)**
Net assets	**58,843**
Equity	51,728
Translation reserve	(47)
Capital and revenue reserve	7,162
Total equity	**58,843**

Notes to the financial statements (continued)

For the year ended 31 March 2018

12. Investment in joint ventures (continued)

The fair value of the H2O property in Madrid (Spain) of €126.9 million (£111.2 million) (31 March 2017: €117.5 million, £100.2 million) has been arrived at on the basis of an independent valuation carried out at the balance sheet date by Savills Aguirre Newman Valoraciones y Tasaciones S.A. ("Savills Aguirre"), an independent valuer not connected to the Group. The 31 March 2018 valuation carried out by Savills Aguirre includes a new plot of land, adjacent to the H2O property, which was purchased in February 2017 for €1.4 million (£1.2 million): this investment was not included in the H2O independent valuation as at 31 March 2017 but valued by the Directors (see note 13).

The valuation basis used is fair value as defined by the Royal Institution of Chartered Surveyors Appraisal and Valuations Standards ("RICS"). The approved RICS definition of fair value is "the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date".

The fair value of the H2O property is based on unobservable inputs. The following methods, assumptions and inputs were used to estimate fair values of investment property:

31 March 2018 – H2O Shopping centre, Madrid (Spain)

Class of investment property	Carrying amount / fair value '000	Area (square meters)	Valuation technique	Significant unobservable inputs	Weighted average / Value
Europe	£111,218 (€126,900)	51,825	Discounted cash flow	Gross Estimated Rental Value ('ERV') per sqm p.a.	€216.8
				Discount rate	13.00%

The fair value of Phase 1000 of Cambourne Business Park, Cambridge (UK) is £26.3 million (31 March 2017: £26.3 million), which has been considered by the Directors to represent fair value at the balance sheet date; the relevant market conditions since the investment was made is not considered to be significant in terms of value.

The CBRE H2O group bank borrowings represent the €65.0 million provided by Aareal Bank to Alpha Tiger Spain 1, SLU less the balance of unamortised deferred finance costs of €1.5 million. This loan has a 1.887% fixed coupon, matures on 18 May 2024 and is secured by a first charge mortgage against the Spanish property. The borrowings are non-recourse to the Group's other investments.

The Scholar Property Holdings Limited group bank borrowings' balance as at 31 March 2018 is £11.2 million: this is a loan provided by Royal Bank of Scotland PLC to Scholar Property Investments Limited, which is secured by a first charge mortgage against the UK property. This loan has a 2.5% margin over 3 month LIBOR and matures on 27 April 2020.

13. Investment property

	31 March 2018 £'000	31 March 2017 £'000
Fair value of investment property at 1 April	**112,442**	**91,971**
Additions	11,262	3,185
Subsequent capital expenditure after acquisition	6,024	3,119
Disposals	-	(1,752)
Movement in rent incentives/initial costs	(53)	299
Fair value adjustment in the year	4,994	8,790
Transfer of 70% equity interest in H2O (note 2)	(107,449)	-
Foreign exchange movement	5,801	6,830
Fair value of investment property at 31 March	**33,021**	**112,442**

Investment property comprises the Group's investments in Unity and Armouries (Birmingham) and Monk Bridge (Leeds), two investment properties in the course of development located in the United Kingdom and a data centre development at Borsigallee 1-7, Frankfurt, Germany.

On 4 August 2017, the Group disposed of 70% of its equity interest in the H2O shopping centre in Madrid, Spain, to CBRE European Co-Investment Fund, managed by CBRE Global Investors. In compliance with IFRS 11 (Joint Arrangements), the Group has adopted the equity method of accounting for its joint venture (see note 2(c)). As at 31 March 2017, the fair value of the H2O property was €117.5 million (£100.2 million), which had been arrived at on the basis of an independent valuation carried out at the balance sheet date by Savills Aguirre; that valuation did not include a plot of land, adjacent to H2O, separately valued by the Directors at £1.2 million.

The fair value of the Unity and Armouries property in Birmingham (UK) of £4.7 million (31 March 2017: £3.5 million) has been arrived at on the basis of an independent valuation carried out at the balance sheet date by GVA (note 24).

The fair value of the Monk Bridge property in Leeds (UK) of £9.0 million (31 March 2017: £5.5 million) has been arrived at on the basis of an independent valuation carried out at the balance sheet date by Savills (note 24).

Notes to the financial statements (continued)

For the year ended 31 March 2018

13. Investment property (continued)

In November 2017, the Group completed the site purchase of the data centre development at Borsigallee 1-7 in Frankfurt (Germany) and entered into the power commitment contract. The payment of the outstanding site purchase price was €12.85 million (£11.3 million). As at 31 March 2018, the fair value of the data centre of €22.0 million (£19.3 million) (31 March 2017: €2.3 million (£2.0 million) as Director's valuation) has been arrived at on the basis of an independent valuation carried out at the balance sheet date by Cushman and Wakefield ('C&W') (note 24).

GVA, Savills and C&W are independent valuers and are not connected to the Group.

The valuation basis used is fair value as defined by the Royal Institution of Chartered Surveyors Appraisal and Valuations Standards ("RICS"). The approved RICS definition of fair value is "the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date".

Foreign exchange movement is recognised in other comprehensive income.

14. Indirect property investment held at fair value

	31 March 2018 £'000	31 March 2017 £'000
As at 1 April	**5,535**	**4,738**
Foreign exchange movement	(614)	797
As at 31 March	**4,921**	**5,535**

The Galaxia investment is carried at INR 450.0 million (£4.9 million) (31 March 2017: INR 450.0 million, £5.5 million).

In January 2015, the International Chamber of Commerce ('ICC') Arbitration concluded its arbitration proceedings and declared in favour of the Group's claims against Logix Group, which was found to have breached the Terms of the Shareholders Agreement with the Group. The ICC awarded the Group the return of its entire capital invested of INR 450.0 Million, with interest at 18% p.a. from 31 January 2011 to 20 January 2015, and the refund of all costs incurred towards the Arbitration. The total award amounted to £9.2 million (the "Award") based on exchange rates at the time. Additionally, a further 15% p.a. interest on all sums was awarded to the Group from 20 January 2015 until the actual date of payment by Logix of the Award. The sum has now accrued to £13.8 million at the year end exchange rate. In April 2015, the Group was notified that Logix has filed a petition, under Section 34 of the Indian Arbitration and Conciliation Act 1996, before the Delhi High Court challenging the Award. The challenge to the Award was heard on several dates during the years 2015 and 2016: following these hearings, the Delhi High Court has ordered that the site be placed in a court monitored auction process, with proceeds to be used to repay outstanding ground lease rents with the balance to be held until the outcome of the appeal to the Arbitration claim. In February 2017, the Delhi High Court upheld the award and dismissed the Logix petition with costs. Following the last hearings held in Delhi in April and May 2017, the division bench dismissed Logix's appeal. Logix have since appealed the dismissal to the Supreme Court of India. The Supreme Court admitted the appeal and ordered Logix to deposit £2.2 million (INR 200 million) with the court and has listed the matter for final disposal in July 2018. ART has commenced execution of the award and the Delhi High Court has issued a warrant of attachment against the primary residential property owned by Shakti Nath and Meena Nath, promoters of Logix Group. In May 2018, the Supreme Court has permitted the Company to unconditionally withdraw INR 100 million (£1.1 million) and the remaining INR 100 million (£1.1 million) deposited by Logix against a bank guarantee. As at 31 March 2017, the Company had the residential property independently valued at approximately £6.0 million. ART continues to actively pursue Logix directors for the recovery of the Award.

The Directors, taking into consideration legal advice received following Logix's challenge of the Award, consider it appropriate to carry this investment in its accounts as a receivable of INR 450.0 million, which is the amount invested but excludes penalty interest payment and other payments awarded in ART's favour due to uncertainty over timing and final value of the Award.

Foreign exchange movement is recognised in other comprehensive income.

Notes to the financial statements (continued)

For the year ended 31 March 2018

15. Investments held at fair value

	31 March 2018 £'000	31 March 2017 £'000
Non-current		
As at 1 April	**7,814**	**10,439**
Additions during the year	1,260	-
Redemptions during the year	(3,121)	(404)
Movement in fair value of investments	845	131
Transfer to current (IMPT investment)	-	(2,352)
As at 31 March	**6,798**	**7,814**

The investments, which are disclosed as non-current investments held at fair value, are as follows:

- Europip (participating redeemable preference shares): during the period, ART received £2.0 million as return of capital from Europip; Europip provides quarterly valuations of the net asset value of its shares; the net asset value of the investment as at 31 March 2018 was £0.4 million (31 March 2017: £2.5 million).
- HLP (participating redeemable preference shares): HLP provides half yearly valuations of the net asset value of its shares; during the year ended 31 March 2018, HLP redeemed a total of £1.1 million of shares (2017: £0.2 million); the net asset value of the investment has been calculated by using the unaudited value provided by the directors of HLP on 20 February 2018, this being the closest point to the Group's balance sheet date; the resulting value of the investment was £0.4 million (31 March 2017: £1.4 million).
- AURE (ordinary shares): during the year, ART invested a further £1.3 million in AURE ordinary shares; the investment is fair-valued by reference to the dealing price of the shares provided monthly by AURE, which is published on The International Stock Exchange: the resulting fair value of the investment at period end was £6.0 million (31 March 2017: £3.9 million).

The Board considers that the above investments will be held for the long term and has therefore disclosed them as non-current assets.

	31 March 2018 £'000	31 March 2017 £'000
Current		
As at 1 April	**26,113**	**20,931**
Transfer from non current (IMPT investment)	-	2,352
Additions during the year	20,000	1,072
Redemptions during the year	(15,269)	(2,400)
Undistributed investment income in year	2,104	1,721
Movement in fair value of investments	744	2,437
As at 31 March	**33,692**	**26,113**

The investments, which are disclosed as current investments held at fair value, are as follows:

- FIAF (income units): FIAF allows monthly redemptions and hence the investment is reported as a current asset; during the year, ART has made a further investment of £5.0 million in FIAF units. FIAF provides monthly pricing of its units. The market value of the investment as at 31 March 2018, based on the published price of the relevant units, was £28.4 million (31 March 2017: £21.2 million).
- ART also had an investment in Romulus. Any realised value from this investment had to be passed exclusively to ART A shareholders. As at 31 March 2017, the net asset value of ART's investment in Romulus was nil. During the year ended 31 March 2018, Romulus completed the disposal of all of its real estate assets. The completion of the sale resulted in Romulus having positive net assets and, consequently, ART received a capital return of £0.3 million from Romulus. ART has therefore paid a special dividend to holders of ART A Shares of £0.3 million, less administrative costs.
- ELM Trading (ordinary shares): in September 2017, ART invested £15.0 in ELM Trading ordinary shares, which are redeemable on a weekly basis, provided ELM is able to match redemptions with new investors' purchases. Therefore, between January and March 2018, ART redeemed £10 million of shares. ELM Trading provides monthly valuations of the net asset value of its shares; the net asset value of the investment as at 31 March 2018 was £5.3 million. The intention of ART is to hold this investment for a short term hence this has been disclosed within current assets.
- On 28 April 2017, IMPT made a full equity return to ART at a share price of 330.0p per share: the total cash received by ART was £5.3 million.

Notes to the financial statements (continued)

For the year ended 31 March 2018

16. Loans receivable

	31 March 2018 £'000	31 March 2017 £'000
Non-current		
Loan granted to related parties (note 23)	-	3,300
Loans granted to third parties	3,224	1,980
Interest receivable from loans granted to third parties	59	-
Total	**3,283**	**5,280**
Current		
Loan granted to related party (note 23)	-	10,378
Loans granted to third parties	9,577	-
Interest receivable from loans granted to related parties (note 23)	-	348
Interest receivable from loans granted to third parties	240	32
Total	**9,817**	**10,758**

During the year, loans granted to related parties have been fully repaid as follows:

- Unsecured loan to IMPT (31 March 2017 balance: £10.4 million), due to expire in December 2018 and carrying a coupon of 15% per annum. On 7 April 2017, the loan was repaid in full, including accrued and rolled up interest and applicable fees: the total cash received by ART was £10.9 million.
- Loan to AURE (31 March 2017 balance: £3.3 million), due to expire in November 2018 and carrying a coupon of 9% per annum. During the year, the loan has been repaid in full, including accrued interest and applicable fees: the total cash received by ART was £3.5 million.

As at 31 March 2018, the Group had granted a total of £12.8 million (31 March 2017: nil) of mezzanine loans to third parties. These comprised twelve loans to UK entities, which assisted with the purchase of property developments in the UK. These facilities range from a 6 to 36 month term and entitle the Group to overall returns on the investment that range from 9% to 16.0%.

Post year end, three further mezzanine loans were granted to UK borrowers for a total of £2.4 million, an existing loan was increased by £0.3 million and one mezzanine loan of £0.3 million was repaid, including accrued interest and applicable fees.

All loans mentioned above are relatively short term in nature and have been issued solely with the intention of collecting principal and interest. They do not form part of the portfolio of assets which management assesses on a fair value basis and, in consequence, they have not been designated at fair value through profit or loss or presented as part of the group's investment portfolio in the consolidated balance sheet.

17. Trade and other receivables

	31 March 2018 £'000	31 March 2017 £'000
Current		
Trade debtors	35	1,215
VAT	706	796
Other debtors	2,662	692
Total	**3,403**	**2,703**

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value. See note 2(a)(a)(ii) 'financial instruments' for more details.

Notes to the financial statements (continued)

For the year ended 31 March 2018

18. Trade and other payables

	31 March 2018 £'000	31 March 2017 £'000
Trade creditors	565	2,929
Investment Manager's fee payable	805	3,228
Accruals	118	439
Other creditors	153	180
Corporation tax	22	13
Total	**1,663**	**6,789**

Trade creditors and accruals primarily comprise amounts outstanding for trade purchases and ongoing costs. The Group has financial management policies in place to ensure that all payables are paid within the credit time frame.

The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

19. Bank borrowings

	31 March 2018 £'000	31 March 2017 £'000
Current liabilities: interest payable	-	109
Current liabilities: bank borrowings	-	60,509
Total current liabilities	**-**	**60,618**
Non-current liabilities: bank borrowings	-	-
Total liabilities	**-**	**60,618**
The borrowings are repayable as follows:		
Interest payable	-	109
On demand or within one year	-	60,509
In the second to fifth years inclusive	-	-
Total	**-**	**60,618**

Movements in the Group's bank borrowings are analysed as follows:

	31 March 2018 £'000	31 March 2017 £'000
As at 1 April	**60,509**	**55,512**
Borrowings, additions	55,622	-
Deferred finance costs, additions	(1,432)	-
Repayment of borrowings	(60,810)	(114)
Reclassification to current liabilities	-	429
Amortisation of deferred finance costs	169	240
Disposal of 70% equity interest in H2O	(57,191)	-
Foreign exchange movement	3,133	4,442
As at 31 March	**-**	**60,509**

As at 31 March 2017, bank borrowings represented the syndicated loan finance provided to ATS1, owner of the H2O shopping centre in Madrid, Spain.

On 18 May 2017, ATS1 completed the refinance of its borrowings, secured on the H2O property, with a new €65.0 million (£55.6 million) seven year loan with Aareal Bank. This loan was used to partly repay the previous bank loan (€71.1 million; £60.8 million), which was due to be repaid in October 2017. The Group funded the refinancing gap and fees. The borrowings are non-recourse to the Group's other investments.

On 4 August 2017, the Group disposed of 70% of its equity interest in the H2O property to CBRE European Co-Investment Fund, managed by CBRE Global Investors. In compliance with IFRS 11 (Joint Arrangements), the Group has adopted the equity method of accounting for its joint venture (see note 2).

Foreign exchange movement is recognised in other comprehensive income/(expense).

Notes to the financial statements (continued)

For the year ended 31 March 2018

19. Bank borrowings (continued)

The table below sets out an analysis of net debt and the movements in net debt for the year ended 31 March 2018.

	Other assets		Derivatives	Liabilities from financing activities		
	Cash £'000	Foreign exchange forward £'000	Interest rate swaption £'000	Interest payable £'000	Borrowing £'000	Total £'000
Net asset/(debt) as at 1 April 2017	**5,397**	**-**	**-**	**(109)**	**(60,509)**	**(55,221)**
Cash movements	398	1,406	290	315	6,620	9,029
Non cash movements						
Foreign exchange adjustments	478	-	-	-	(3,133)	(2,655)
Realised gain on foreign exchange forward contract	-	(1,306)	-	-	-	(1,306)
Realised gain on interest rate swaption contract	-	-	14	-	-	14
Loan fee amortisation and other costs	-	-	-	169	(169)	-
Interest charge	-	-	-	(648)	-	(648)
Disposal of 70% equity interest in H2O	-	-	(304)	273	57,191	57,160
Net asset/(debt) as at 31 March 2018	**6,273**	**100**	**-**	**-**	**-**	**6,373**

20. Share capital

					Number of shares
Authorised					
Ordinary shares of no par value					Unlimited
Issued and fully paid	**Ordinary treasury**	**Ordinary external**	**Ordinary total**	**A shares external**	**Total shares**
At 1 April 2016	**6,794,398**	**61,834,950**	**68,629,348**	**7,488,267**	**76,117,615**
Share conversion	-	1,151,225	1,151,225	(1,151,225)	-
Shares cancelled following buyback	-	-	-	-	-
Shares bought back	-	-	-	-	-
At 1 April 2017	**6,794,398**	**62,986,175**	**69,780,573**	**6,337,042**	**76,117,615**
Share conversion	-	1,302,238	1,302,238	(1,302,238)	-
Shares cancelled following buyback	(918,123)	-	(918,123)	-	(918,123)
Shares bought back	826,311	(826,311)	-	-	-
At 31 March 2018	**6,702,586**	**63,462,102**	**70,164,688**	**5,034,804**	**75,199,492**

The Company has one class of ordinary shares which carries no right to fixed income and class A shares, which carry the same rights as ordinary shares save that class A shares carry the additional right to participation in the Company's investment in Romulus and the right to convert into ordinary shares on a one for one basis.

The Company has the right to reissue or cancel the remaining treasury shares at a later date.

Under its general authority, approved by shareholders on 1 April 2016, the Company announced a tender offer on 1 September 2017 for up to 10,000,000 ordinary shares. In total, 826,311 ordinary shares were validly tendered under the tender offer, representing approximately 1.2 per cent of the Company's voting shares in issue at the time.

On 28 September 2017, the Company bought back the 826,311 ordinary shares tendered under the tender offer at a price (before expenses) of 123.1 pence per share. All of the 826,311 repurchased ordinary shares were cancelled, together with 91,812 shares held in treasury. During the year 1,302,238 A shares were converted into ordinary shares. As at 31 March 2018, the ordinary share capital of the Company, following the purchase and cancellation of those ordinary shares, was 70,164,688 (including 6,702,586 shares held in treasury). The Company also had 5,034,804 A shares in issue. The total voting rights in ART following the purchase and cancellation of ordinary shares was 68,496,906.

Post year end, the Company has made no share buybacks and 89,283 A shares were converted into ordinary shares. At the date of signing these financial statements the ordinary share capital of the Company was 70,253,971 (including 6,702,586 shares held in treasury). The Company also has 4,945,521 A shares in issue. The total voting rights in ART are unchanged at 68,496,906.

Notes to the financial statements (continued)

For the year ended 31 March 2018

21. Reserves

The movements in the reserves for the Group are shown on page 37.

Special reserve

The special reserve is a distributable reserve to be used for all purposes permitted under Guernsey company law, including the buy-back of shares and payment of dividends.

Translation reserve

The translation reserve contains exchange differences arising on consolidation of the Group's overseas operations. These amounts may be subsequently reclassified to profit or loss.

Capital reserve

The capital reserve contains increases and decreases in the fair value of the Group's investment property, gains and losses on the disposal of property, gains and losses arising from indirect property investment at fair value together with expenses allocated to capital.

Revenue reserve

Any surplus arising from net profit after tax is taken to this reserve, which may be utilised for the buy-back of shares and payment of dividends.

22. Events after the balance sheet date

Between April and June 2018, three further mezzanine loans were granted to UK borrowers for a total of £2.4 million, an existing loan was increased by £0.3 million and one mezzanine loan of £0.3 million was repaid, including accrued interest and applicable fees.

In April and May 2018, ART received £5.3 million from ELM Trading as full redemption of that investment.

On 6 April 2018, the Company paid a dividend for the quarter ended 31 December 2017 of £410,981 (0.6p per share).

In May 2018, with regards to the ongoing Galaxia litigation, the Supreme Court has permitted the Company to unconditionally withdraw INR 100 million (£1.1 million) (note 14): the funds were received on 30 May 2018.

In June 2018, ART received £3.0 million as units' redemption from FIAF and £0.3 million as part redemption from HLP.

Post year end, a total of 89,283 A Shares were converted into Ordinary Shares (Note 20).

23. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. ARC is the Investment Manager to the Company under the terms of the Investment Manager Agreement and is thus considered a related party of the Company. The current management agreement with the Investment Manager will expire on 21 December 2022.

The Investment Manager is entitled to receive a fee from the Company at an annual rate of 2 per cent of the net assets of the Company, payable quarterly in arrears. During the year a total of £1.7 million (31 March 2017: £1.0 million), net of rebates, was billed by ARC to ART. As at 31 March 2018, a total of £0.5 million (31 March 2017: £0.3 million) was outstanding.

The Investment Manager is also entitled to receive an annual performance fee calculated with reference to total shareholder return ("TSR"), whereby the fee is 20 per cent of any excess over an annualised TSR of 15 per cent subject to a rolling 3 year high water mark. As at 31 March 2018, a performance fee of £0.3 million (31 March 2017: £2.7 million) was due to ARC.

Prior to the 70% disposal of the H2O property, ARC had a management agreement directly with the H2O property company, Alpha Tiger Spain 1, SLU ('ATS1') under which it earned a fee of 0.9% per annum based upon the gross assets of ATS1. In order to avoid double counting of fees, ARC provided a rebate to the Company of a proportion of its fee equivalent to the value of the Group's net asset value attributable to the H2O investment. Subsequent to the sale of ATS1 to CBRE H2O Rivas Holding NV ('CBRE H2O'), ARC has been appointed as Asset Manager to ATS1 and Investment Manager to CBRE H2O. ARC has agreed to rebate to ART all of the fees charged by ARC directly to CBRE H2O and ATS1 that relate to the Company's 30% share in CBRE H2O.

The Company had invested in IMPT (until 28 April 2017) where ARC was the Investment Manager. Mark Rattigan, a partner of ARC, was a Director (resigned on 3 May 2017) on the Board of IMPT. ARC rebated fees earned in relation to the Company's investment in IMPT.

The Company has invested in FIAF where ARPIA, a subsidiary of ARC, is the Investment Manager. ARC is the Authorised Corporate Director of FIAF. ARC rebates fees earned in relation to the Company's investment in FIAF.

The Company has invested in ELM Trading where the Board of Directors is drawn from the partners and employees of ARPIA, a subsidiary of ARC. ARC rebates fees earned in relation to the Company's investment in ELM Trading.

The Company has invested in AURE, where ARC is the Investment Manager. Brad Bauman, a partner of ARC, is a Director on the Board of AURE. ARC rebates fees earned in relation to the Company's investment in AURE.

The Company has invested in Europip, where ARPIA, a subsidiary of ARC, is the Investment Adviser. ARC rebates fees earned in relation to the Company's investment in Europip.

Notes to the financial statements (continued)

For the year ended 31 March 2018

23. Related party transactions (continued)

The Company has invested in Romulus, where ARPIA, a subsidiary of ARC, is Trust Manager and Property Manager. ARC rebates fees earned in relation to the Company's investment in Romulus.

The Company has invested in Phase 1000, Cambourne Business Park, Cambridge, and ARC was appointed as Asset and Property Manager of the joint venture entity. ARC rebates to ART the relevant proportion of fees earned by ARC, which apply to the Company's investment.

Total rebates for the year were £0.9 million (31 March 2017: £1.1 million).

Details of the Investment Manager's fees for the year are disclosed on the face of the consolidated statement of comprehensive income and the balance payable at 31 March 2018 is provided in note 18.

Alpha Global Property Securities Fund Pte. Ltd, a wholly owned subsidiary of ARC registered in Singapore, held 22,550,000 shares in the Company at 31 March 2018 (31 March 2017: 22,550,000).

ARC did not hold any shares in the Company at 31 March 2018 (31 March 2017: nil).

The following, being partners of the Investment Manager, have interests in the following shares of the Company at 31 March 2018:

	31 March 2018 Number of shares held	31 March 2017 Number of shares held
IPGL Limited	3,010,100	3,010,100
Brian Frith	1,125,000	1,125,000
Phillip Rose	139,695	139,695
Brad Bauman	55,006	55,006
Ronald Armist	500	500

Details of the Directors' fees and share interests in the Company are included in the Directors Report.

Karl Devon-Lowe, a partner of ARC, received fees of £7,100 (31 March 2017: £7,000) in relation to directorial responsibilities on a number of the Company's subsidiary companies.

Serena Tremlett is also the Managing Director of Estera Administration (Guernsey) Limited ('Estera'), the Company's administrator and secretary. During the year, the Company paid Estera fees of £92,300 (2017: £95,300) and no amount was outstanding at year end.

Melanie Torode is the Operations Director of Estera; considering her appointment date of 1 June 2018, no fees were paid in respect of this directorship during the year.

Notes to the financial statements (continued)

For the year ended 31 March 2018

24. Financial instruments risk exposure and management

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Principal financial instruments

The principal financial instruments used by the Group from which financial instrument risk arises, are as follows:

Financial assets and liabilities carrying value	31 March 2018 £'000	31 March 2017 £'000
Financial assets at fair value through profit or loss		
Investments held at fair value	40,490	33,927
Foreign exchange forward contract	100	-
Total financial assets at fair value through profit or loss	**40,590**	**33,927**
Loans and receivables		
Investment receivable	4,921	5,535
Loans and receivables	13,100	16,038
Trade and other receivables	3,403	2,703
Cash and cash equivalents	6,273	5,397
Total loans and receivables	**27,697**	**29,673**
Total financial assets	**68,287**	**63,600**
Financial liabilities at amortised cost		
Trade and other payables	(1,663)	(6,789)
Bank borrowings	-	(60,618)
Deferred tax	(526)	-
Total financial liabilities	**(2,189)**	**(67,407)**

On 4 August 2017, the Group disposed of 70% of its equity interest in the H2O shopping centre in Madrid, Spain, to CBRE European Co-Investment Fund, managed by CBRE Global Investors. In compliance with IFRS 11 (Joint Arrangements), the Group has adopted the equity method of accounting for its joint venture (see note 2(c)).

As at 31 March 2017, bank borrowings represented the loans provided by a syndicate of three banks (Eurohypo AG, MHB Bank AG and Landesbank Hessen-Thuringen Girozentrale) to Alpha Tiger Spain 1, SLU. The loans were secured by a first charge mortgage against the Spanish property.

Net changes in realised and unrealised gains or losses on financial instruments can be summarised as follows:

	31 March 2018 £'000	31 March 2017 £'000
Realised gains or losses on loans and receivables		
Bank interest receivable	8	10
Interest receivable on loans granted to related parties	359	2,284
Interest receivable on loans granted to third parties	658	97
Impairment of trade and other receivables	(3)	3
Net realised gains on loans and receivables	**1,022**	**2,394**
Unrealised gains and losses on financial assets and liabilities held at fair value through profit or loss		
Realised loss on foreign exchange forward contract	(1,406)	(904)
Unrealised gain on foreign exchange forward contract	100	-
Movement in fair value of investments	1,863	2,568
Movement in fair value of interest rate swaption	14	-
Undistributed investment income	2,307	1,876
Realised gains and losses on financial assets and liabilities held at fair value through profit or loss		
Dividend received from investments held at fair value	7	23
Distributed investment income	98	-
Net gains on financial assets and liabilities held at fair value through profit or loss	**2,983**	**3,563**

Notes to the financial statements (continued)

For the year ended 31 March 2018

24. Financial instruments risk exposure and management (continued)

Net interest income can be summarised as follows:

	31 March 2018 £'000	31 March 2017 £'000
Bank interest receivable	8	10
Interest receivable on loans granted to related parties	359	2,284
Interest receivable on loans granted to third parties	658	97
Interest on bank borrowings	(648)	(1,778)
Net interest income	**377**	**613**

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function.

The overall objective of the Board is to set polices that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below.

Project monitoring

Projects are monitored through regular Project Control Meetings held with development partners to discuss progress and monitor risks. The Investment Manager attends these meetings and reports to the Board on a quarterly basis.

Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date.

At 31 March 2018, trade and other receivables past due but not impaired amounted to nil (31 March 2017: nil).

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk.

The Group policy is to maintain its cash and cash equivalent balances with a number of financial institutions as a means of diversifying credit risk. The Group monitors the placement of cash balances on an ongoing basis and has policies to limit the amount of credit exposure to any financial institution.

With regards to the investment property business, a property advisor monitors the tenants in order to anticipate and minimise the impact of default by occupational tenants. Where possible, tenants' risk is mitigated through rental guarantees. The Group meets with the tenant frequently and monitors its financial performance closely.

The Group owns a portfolio of secured real estate loans and mezzanine loan investments. These loans are typically secured on real estate investment and development assets with high risk-adjusted income returns. The Group receives monthly updates from its investment advisors regarding the credit worthiness of the borrowers and values of the real estate investment and development assets, which the loans are secured on, and assesses the recoverability of each loan investment.

The Company announced on 28 May 2010 that it had entered into a Settlement Agreement with Logix Group under which it has sold its interest in its Technova investment and has agreed a floor price mechanism for the sale of the Galaxia project. The Settlement Agreement lapsed on 28 May 2011 returning the parties to the pre-existing agreement. The terms of the pre-existing agreement provide for a minimum return of INR 450.0 million and an additional preferred return and profit. As detailed in note 14, in January 2015, the ICC Arbitration concluded its arbitration proceedings and declared in favour of the Group's claims against Logix Group. The Award granted by the ICC to the Group equals £13.8 million, based on year end exchange rates; plus 15% p.a. interest on all sums awarded until the actual date of payment by Logix. The Directors, taking into consideration legal advice received following Logix's challenge of the Award, consider it appropriate to continue to value the indirect investment at INR 450.0 million, which is the amount invested but excludes penalty interest payment and other payments awarded in ART's favour due to uncertainty over timing and final value of the Award.

With regards to its other investments, the Group receives regular updates from the relevant Investment Manager as to the performance of the underlying investments and assesses credit risk as a result.

Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Group has procedures with the object of minimising these risks such as maintaining sufficient cash and other highly liquid current assets. Cash and cash equivalents are placed with financial institutions on a short term basis reflecting the Group's desire to maintain a high level of liquidity in order to enable timely completion of investment transactions.

The following table illustrates the contractual maturity analysis of the Group's financial liabilities.

Notes to the financial statements (continued)

For the year ended 31 March 2018

24. Financial instruments risk exposure and management (continued)

31 March 2018	Within 1 year £'000	1-2 years £'000	2-5 years £'000	Over 5 years £'000	Total £'000	Total £'000
Trade and other payables	1,641	-	-	-	**1,641**	**1,641**
Interest payable on bank borrowings	-	-	-	-	**-**	**-**
Bank borrowings	-	-	-	-	**-**	**-**
Foreign exchange forward contract	-	-	-	-	**-**	**-**
Total	**1,641**	**-**	**-**	**-**	**1,641**	**1,641**

31 March 2017	Within 1 year £'000	1-2 years £'000	2-5 years £'000	Over 5 years £'000	Total £'000	Total £'000
Trade and other payables	6,776	-	-	-	**6,776**	**6,776**
Interest payable on bank borrowings	782	-	-	-	**782**	**109**
Bank borrowings	60,509	-	-	-	**60,509**	**60,509**
Foreign exchange forward contract	-	-	-	-	**-**	**-**
Total	**68,067**	**-**	**-**	**-**	**68,067**	**67,394**

Market risk

(a) Foreign exchange risk

The Group operates in India, Germany and Spain and is exposed to foreign exchange risk arising from currency exposures with respect to Indian Rupees and Euros. Foreign exchange risk arises from recognised monetary assets and liabilities.

The Group's policy is, where possible, to allow Group entities to settle liabilities denominated in their functional currency with the cash generated from their own operations in that currency.

The Group does not currently hedge its Indian foreign currency exposure and only partially hedges its Euro currency exposure through a foreign exchange forward contract: the Group entered into this contract to hedge €17.5 million of Euro exposure.

The Board monitors the Group's exposure to foreign currencies on a quarterly basis as part of its Risk Management review.

A strengthening of the Rupee by 10% against Sterling (representing management's assessment of a reasonably possible change) would increase the net assets by £547,000 (2017: £615,000). A weakening of the Rupee by 10% would decrease net assets by £447,000 (2017: £503,000). A strengthening of the Euro by 5 cents would increase the net assets by £1,693,000 (2017: £1,929,000). A weakening of the Euro by 5 cents would decrease net assets by £1,551,000 (2017: £1,771,000).

(b) Cash flow and fair value interest rate risk

The Group's interest rate risk arose primarily from bank borrowings. Following the 70% disposal of the H2O property (note 19), the Group is not directly exposed to interest rate risk related to bank borrowings.

The Group holds significant cash balances and loan assets which accrue interest based on variable interest rates.

The Group's cash flow is periodically monitored by the Board.

The sensitivity analysis below is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated – for example, changes in interest rate and changes in market value.

For the Group, a decrease of 25 basis points in interest rates would result in a negligible post-tax profit movement (2017: £146,000). An increase of 25 basis points in interest rates would result in a negligible post-tax profit movement (2017: £146,000).

(c) Price risk

The Group has invested in income units of FIAF, a fund offering monthly redemptions (note 15). FIAF is an open ended unauthorised unit trust which operates a monthly dealing facility to provide investment liquidity. The value of the income units are assessed monthly and are subject to fluctuation.

The Group has invested in redeemable shares of ELM Trading, a company offering weekly redemptions (note 15). The value of the redeemable shares is assessed monthly and is subject to fluctuation.

The Group has invested in ordinary shares in AURE and participating redeemable preference shares in Europip and HLP; the value of these shares is assessed regularly and is subject to fluctuation: AURE provide pricing monthly, Europip quarterly and HLP half yearly.

If the price of the aggregated investments in participating redeemable preference shares had increased by 5%, with all other variables held constant, this would have increased the net assets value of the Group by £38,000 (31 March 2017: £194,000). Conversely, if the price of the aggregated investments in participating redeemable preference shares had decreased by 5% this would have decreased the net assets value of the Group by £38,000 (31 March 2017: £194,000).

Notes to the financial statements (continued)

For the year ended 31 March 2018

24. Financial instruments risk exposure and management (continued)

(d) Fair values

The following methods and assumptions were used to estimate fair values:

- Cash and short-term deposits, trade receivables, trade payables, and other current liabilities approximate their carrying amounts due to the short-term maturities of these instruments
- The fair value of the interest rate swaption contract is determined by reference to an applicable valuation model employed by the contractual counter party; valuations are provided quarterly
- The fair value of the foreign exchange forward contract is determined by reference to the year end forward market rate and based on observable inputs; this investment is therefore deemed to be a level 2 financial asset (see note 25)
- The fair value of the investment in IMPT's ordinary shares, which were traded on the LSE until 8 June 2017, was based upon the mid price of the ordinary shares at the balance sheet date. On 28 April 2017, IMPT made a full equity return to ART at a share price of 330.0p per share; the Group does not currently hold any investment which can be categorised as Level 1
- The fair value of the investment in AURE is based upon the dealing price of the shares provided by AURE at the balance sheet date, which is published on The International Stock Exchange, and based on observable inputs; this investment is therefore deemed to be a level 2 financial asset (see note 25)
- The fair value of the FIAF investment is based upon the price provided by the issuer for the relevant share class owned: this is calculated by reference to the net asset value of the investment and based on observable inputs; this investment is therefore deemed to be a level 2 financial asset (see note 25)
- The fair value of the HLP investment is based upon the price provided by the issuer for the relevant share class owned: this is calculated by reference to the net asset value of the investment and principally driven by the fair value of HLP's underlying property investments. This net asset value is therefore mainly based on unobservable inputs and is deemed to be level 3 financial assets (see note 25). HLP's accounts are audited annually. HLP's underlying investment properties are fair valued as per RICS definition and the ART Board consider that any reasonable possible movement in the valuation of HLP's individual properties would not be material to the value of ART's investment
- The fair value of the Europip investment is based upon the price provided by the issuer for the relevant share class owned: this is calculated by reference to the net asset value of the investment and principally driven by the fair value of Europip's underlying property investments. This net asset value is therefore mainly based on unobservable inputs and is deemed to be level 3 financial assets (see note 25). Europip's accounts are audited annually. As at 31 March 2018, Europip holds no investment property and is preparing to distribute its final liquidation proceeds to shareholders
- The fair value of the ELM Trading ('ELM') investment is based upon the price provided by the issuer for the relevant share class owned: this is calculated by reference to the net asset value of the investment and principally driven by the fair value of ELM's underlying investments. This net asset value is therefore mainly based on unobservable inputs and is deemed to be level 3 financial assets. ELM's accounts are audited annually. ELM's underlying investments are fair valued and the ART Board considers that any reasonable possible movement in the valuation of ELM's individual investments would not be material to the value of ART's investment.

As a result the carrying values less impairment provision of loans and receivables and financial liabilities measured at amortised cost are approximate to their fair values.

Capital risk management

The Board's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Board regularly reviewed the adequacy of the Group's level of borrowings by monitoring its compliance with the relevant bank covenants. Following the sale of 70% of the Group's equity interest in the H2O property to CBRE European Co-Investment Fund (note 2), the Group has no more direct borrowings.

Notes to the financial statements (continued)

For the year ended 31 March 2018

25. Fair value measurement

IFRS 13 requires disclosure of the fair value measurement of the Group's assets and liabilities, the related valuation techniques, the valuations' recurrence and the inputs used to assess and develop those measurements.

The Group discloses fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the asset or liability is categorised is determined on the basis of the lowest input that is significant to the fair value measurement. Assets and liabilities are classified in their entirety into one of the three levels.

Investment property is valued on a recurring basis: half yearly.

The Group's valuers derive the fair value of the investment property by applying the methodology and valuation guidelines as set out by the Royal Institution of Chartered Surveyors in the United Kingdom.

The valuation approach adopted by valuers differs between investment property available to rent (H2O, Cambourne) and investment property under development (Unity and Armouries, Monk Bridge and Frankfurt data centre).

The valuation approach for investment property available to rent is based on discounting the future net income receivable from properties to arrive at the net present value of that future income stream. Future net income comprises the rent secured under existing leases, less any known or expected non-recoverable costs and the current market rent attributable to vacant units. The consideration basis for this calculation excludes the effects of any taxes on the net income. The discount factors used to calculate fair value are consistent with those used to value similar properties, with comparable leases in each of the respective markets. A decrease in the net rental income or an increase in the discount rate will decrease the fair value of the investment property.

The valuation approach for investment property under development is based on the residual development appraisal, which assesses the amount a developer can afford to spend for an undeveloped site and project, considering the potential income from sale of the site and total cost for its full construction. The potential sale price is based on the income capitalisation approach whereby the estimated rental value for the investment property has been capitalised in perpetuity. The valuation also considers comparable evidence for land transactions with similar parameters and market locations.

The investments held at fair value and derivative contracts are valued on a recurring basis as indicated in note 25.

The following table shows an analysis of the fair values of assets and liabilities recognised in the balance sheet by level of the fair value hierarchy described above:

31 March 2018 Assets and liabilities measured at fair value	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets measured at fair value				
Non-current				
Investment property (note 13)	-	-	33,021	**33,021**
Investments held at fair value (note 15)	-	6,043	755	**6,798**
Current				
Investments held at fair value (note 15)	-	28,356	5,336	**33,692**
Foreign exchange forward contract (note 24)	-	100	-	**100**
Assets for which fair values are disclosed				
Non-current				
Trade and other receivables (note 17)	-	3,283	-	**3,283**
Current				
Trade and other receivables (note 17)	-	13,220	-	**13,220**
Liabilities for which fair values are disclosed				
Non-current				
Deferred tax	-	(526)	-	**(526)**
Current				
Trade and other payables (note 18)	-	(1,663)	-	**(1,663)**

Notes to the financial statements (continued)

For the year ended 31 March 2018

25. Fair value measurement (continued)

31 March 2017 Assets and liabilities measured at fair value	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets measured at fair value				
Non-current				
Investment property (note 13)	-	-	112,442	**112,442**
Investments held at fair value (note 15)	-	3,941	3,873	**7,814**
Current				
Investments held at fair value (note 15)	4,861	21,252	-	**26,113**
Assets for which fair values are disclosed				
Non-current				
Trade and other receivables (note 17)	-	5,280	-	**5,280**
Current				
Trade and other receivables (note 17)	-	13,461	-	**13,461**
Liabilities for which fair values are disclosed				
Current				
Trade and other payables (note 18)	-	(6,789)	-	**(6,789)**
Bank borrowings (note 19)	-	(60,618)	-	**(60,618)**

The Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Movements in level 3 of the fair value measurements, during the year ended 31 March 2018, can be summarised as follows:

	Investment property £'000	Indirect property investment at fair value £'000	Investments held at fair value £'000
At 1 April 2017	**112,442**	**3,873**	**116,315**
Additions	11,262	15,000	26,262
Subsequent capital expenditure after acquisition	6,024	-	6,024
Redemptions	-	(13,121)	(13,121)
Movement in rent incentives/initial costs	(53)	-	(53)
Fair value adjustment	4,994	339	5,333
Transfer of 70% equity interest in H_2O (note 2)	(107,449)	-	(107,449)
Effect of foreign exchange	5,801	-	5,801
At 31 March 2018	**33,021**	**6,091**	**39,112**

There were no transfers between level 1 and level 2 fair value measurements and no transfers into or out of level 3 fair value measurements during the year ended 31 March 2018.

Notes to the financial statements (continued)

For the year ended 31 March 2018

25. Fair value measurement (continued)

The fair value of investment property is based on unobservable inputs and it is therefore disclosed as level 3. The following methods, assumptions and inputs were used to estimate fair values of investment property:

31 March 2017 - H2O Shopping centre, Madrid (Spain)

Class of investment property	Carrying amount / fair value '000	Area (square meters)	Valuation technique	Significant unobservable inputs	Weighted average/Value
Europe	£100,256 (€117,500)	51,825	Discounted cash flow	Gross Estimated Rental Value ('ERV') per sqm p.a.	€213.8
				Discount rate	12.50%

31 March 2018 - Unity and Armouries, Birmingham (UK)

Class of investment property	Carrying amount / fair value '000	Area (square meters)	Valuation technique	Significant unobservable inputs	Weighted average/Value
Europe	£4,740	90,000 net developable square feet	Income capitalisation and residual development appraisal	Investment yield	4.3%
				Market rent	£925/£1,200 per month
				Development costs	£206 per square foot
				Developer's profits	19%

31 March 2017 - Unity and Armouries, Birmingham (UK)

Class of investment property	Carrying amount / fair value '000	Area (square meters)	Valuation technique	Significant unobservable inputs	Weighted average/Value
Europe	£3,500	90,000 net developable square feet	Income capitalisation and residual development appraisal	Investment yield	4.4%
				Market rent	£740/£1,200 per month
				Development costs	£165/£177 per square foot
				Developer's profits	20%

31 March 2018 - Monk Bridge, Leeds (UK)

Class of investment property	Carrying amount / fair value '000	Area (square meters)	Valuation technique	Significant unobservable inputs	Weighted average/Value
Europe	£9,000	Planning consent for 398,200 square feet	Comparable residential land transactions analysis	Comparable evidence	Not applicable

31 March 2017 - Monk Bridge, Leeds (UK)

Class of investment property	Carrying amount / fair value '000	Area (square meters)	Valuation technique	Significant unobservable inputs	Weighted average/Value
Europe	£5,500	Planning consent for 140,000 square feet	Comparable residential land transactions analysis	Comparable evidence	Not applicable

Notes to the financial statements (continued)

For the year ended 31 March 2018

25. Fair value measurement (continued)

31 March 2018 - Data centre, Frankfurt (Germany)*

Class of investment property	Carrying amount / fair value '000	Area (square meters)	Valuation technique	Significant unobservable inputs	Weighted average/Value
Europe	€22,000 (£19,281)	Planning consent for 40,338 square meters	Income capitalisation and residual development appraisal	Investment yield	6.0%
				Market rent	€10/€17 per square meter per month
				Development costs	€1,480 per square meter
				Developer's profits	30/40%

* As at 31 March 2017, the data centre was valued by the Directors (note 13).

Directors and Company information

Directors
David Jeffreys (Chairman)
Jeff Chowdhry
Mel Torode
Phillip Rose
Serena Tremlett

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Old Bank Chambers
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Guernsey GY4 6RT

Investment Manager
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Administrator and secretary
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(formerly Morgan Sharpe Administration Limited)
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Registrar
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St Helier
Jersey JE1 1ES

Shareholder information

Further information on the Company, compliant with the SFS regulations, can be found at the Company's website: www.alpharealtrustlimited.com

Investment Manager

The Company is advised by Alpha Real Capital LLP which is authorised and regulated by the Financial Conduct Authority in the United Kingdom

Share price

The Company's Ordinary Shares are listed on the SFS of the LSE.

Change of address

Communications with shareholders are mailed to the addresses held on the share register. In the event of a change of address or other amendment, please notify the Company's Registrar under the signature of the registered holder.

Financial calendar

Financial reporting	Reporting/Meeting dates	Dividend period	Ex-dividend date	Record date	Payment date
Annual report published	29 June 2018	Quarter ending 31 March 2018	28 June 2018	29 June 2018	20 July 2018
Annual General Meeting	10 August 2018				
Trading update statement (Qtr 1)	17 August 2018	Quarter ending 30 June 2018	30 August 2018	31 August 2018	21 September 2018
Half year report	16 November 2018	Quarter ending 30 September 2018	29 November 2018	30 November 2018	14 December 2018

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